

**To: Leader and Members of the Executive Board
(Councillors M Stanley, Hayfield, Humphreys, Moore, Morson, Phillips, Simpson, Smith and Sweet)**

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

11 SEPTEMBER 2012

The Executive Board will meet in the Committee Room at The Council House, South Street, Atherstone, Warwickshire on **Tuesday** 11 September 2012 at 6.30pm.

AGENDA

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

- 4 **Minutes of the Meeting of the Board held on 25 June 2012** - copy herewith to be agreed as a correct record and signed by the Chairman.

- 5 **Requests for discussion of En Bloc items.**

PART A – ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)

- 6 **Financial Statements 2011/12** – Report of the Deputy Chief Executive
Summary

The Annual Financial Statements have to be signed by the Responsible Financial Officer (RFO) and approved by a full Board of the Council by the end of September 2012. This report presents the audited Financial Statements.

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

- 7 **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).

- 8 **Corporate Plan 2013/14 – Key Corporate Issues** – Report of the Chief Executive

Summary

The purpose of this report is to draw Members' attention to the key corporate issues facing the Council over the next 18 months. It seeks Members' agreement to addressing these issues during the formulation of the 2013/14 Budget and Corporate Plan.

The Contact Officer for this report is Jerry Hutchinson (719200).

- 9 **Financial Strategy 2013–17** – Report of the Deputy Chief Executive

Summary

This report summarises the Authority's Financial Strategy, projects forward the Authority's General Fund budgets to 2016/17, and suggests a detailed budget approach for the 2013/14 General Fund Budget.

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

10 **Contract Standing Orders** – Report of the Assistant Director
(Corporate Services)

Summary

This report seeks approval for the revised Contract Standing Orders.

The Contact Officer for this report is Linda Bird (719327).

11 **Local Audit Bill** – Report of the Deputy Chief Executive

Summary

During July, the Department of Communities Local Government (DCLG) published a draft Local Audit Bill. Consultation on the Bill closed on 31 August 2012. This report outlines the proposals and attaches the Authority's response, which was agreed with the Leader of the Council and the Deputy Leader of the Conservative Group.

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

12 **Business Rates Retention** – Report of the Deputy Chief Executive

Summary

The Department of Communities and Local Government (DCLG) has issued a further consultation paper on Business Rates Retention. This report summarises the consultation. Responses to the consultation are due by 24 September 2012 and seeks authority for the Deputy Chief Executive to agree the council's response with the two group Leaders.

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

**PART B – ITEMS FOR EN BLOC DECISIONS
(YELLOW PAPERS)**

13 **Budgetary Control Report 2012/13 Period Ended 31 August 2012 -**
Report of the Assistant Director (Finance and Human Resources)

Summary

The report covers revenue expenditure and income for the period from 1 April 2012 to 31 August 2012. The 2012/2013 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).

- 14 **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets – April 2012 to June 2012** – 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 2012.

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

- 15 **Minutes of the meetings of the Special Sub-Group held on 2 July, 16 July and 15 August 2012** to be received and noted.

JERRY HUTCHINSON
Chief Executive

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE EXECUTIVE BOARD

25 June 2012

Present: Councillor Sweet in the Chair

Councillors Hayfield, Humphreys, Moore, Morson, Phillips, Smith and Winter

Apologies for absence were received from Councillors Simpson and M Stanley (Councillor Winter substitute)

Councillor Pickard was also in attendance.

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

Any personal interests arising from the membership of Warwickshire County Council of Councillors Hayfield and Sweet and membership of the various Town/Parish Councils of Councillors Moore (Baddesley Ensor), Morson (Dordon), Phillips (Kingsbury) and Winter (Dordon) were deemed to be declared at this meeting.

2 **Capital Programme – 2011/12 Final Position**

The Assistant Director (Finance and Human Resources) updated Members on the final position of the 2011/12 Capital Programme and highlighted those schemes which had not progressed as quickly as expected and which were recommended to be carried forward into the 2012/13 Capital Programme.

Recommended:

- a **That the level of expenditure incurred (both actual and committed) to the end of March 2012 against the 2011/12 Revised Capital Programme be noted;**
- b **That the schemes which have not progressed as expected during the year be noted; and**
- c **That both the committed expenditure and schemes which have not progressed during the year be agreed as slippage to be carried forward into the 2012/13 Capital Programme.**

3 Capital Accounts 2011/12

The Board was informed that the Capital Accounts for 2011/12 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 2011/12 be approved.

4 Earmarked Reserves 2012/13

The Deputy Chief Executive reported on the level of reserves at 31 March 2012. Members were asked to approve the proposed use of reserves in 2012/13.

Recommended:

That the reserves held at 31 March 2012, and the planned use of reserves in 2012/13 be approved.

5 Annual Governance Statement 2011/12

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 2011/12, attached as Appendix A to the report of the Deputy Chief Executive be approved; and**
- b That the Improvement Plan, attached as Appendix B to the report be approved and progress against the plan be reported to Board.**

6 Financial Statements 2011/12

The Deputy Chief Executive reported on the Annual Financial Statements for 2011/12 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 2012 be noted.

7 Minimum Revenue Provision Policy Statement

The Deputy Chief Executive reported on the proposed revised Minimum Revenue Provision Policy Statements for 2011/12 and 2012/13 and Members were asked to agree a suggested course of action.

Recommended:

- a That the amended Minimum Revenue Provision Policy Statement for 2011/12, set out in Appendix A to the report of the Deputy Chief Executive, be approved; and**
- b That the amended Minimum Revenue Provision Policy Statement for 2012/13, set out in Appendix B to the report, be approved.**

8 Treasury Management Strategy Statement and Annual Investment Strategy 2012/13

The Deputy Chief Executive reported on proposed revisions to the Treasury Management Strategy Statement and Annual Investment Strategy for 2012/13 previously approved by Council, to enable the implementation of the Local Authority Mortgage Scheme.

Recommended:

That any deposit relating to the LAMS scheme is in addition to the investments allowed with the chosen Mortgage Lender under the normal investment criteria and can be for a period of up to 7 years.

9 Community Governance Review – Parish of Middleton

The Chief Executive reported that a request had been received from Middleton Parish Council for an increase in the number of Parish Councillors and the Board was invited to consider whether or not the Borough Council should undertake a Community Governance Review.

Recommended:

That a Community Governance Review of the Parish of Middleton be undertaken and the findings reported to a future meeting of the Board.

10 **Police and Crime Panels**

The Assistant Chief Executive and Solicitor to the Council informed Members that Police and Crime Panels would be established shortly in the County and sought a recommendation on membership of that Panel.

Recommended:

- a. **That the numerical allocation of one seat to each of the Borough/District Councils in Warwickshire and five seats to Warwickshire County Council be agreed; and**
- b. **That this Council's nomination be made from the controlling political group or groups.**

11 **Budgetary Control Report 2012/2013 Period Ended 31 May 2012**

The Assistant Director (Finance and Human Resources) reported on the revenue expenditure and income for the period from 1 April 2012 to 31 May 2012. The 2012/2013 budget and the actual position for the period, compared with the estimate at that date, were given, together with an estimate of the out-turn position for services reporting to the Board.

Resolved:

That the report be noted.

12 **Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April 2011 to March 2012**

The Chief Executive reported on the progress with the achievement of the Corporate Plan and Performance Indicator targets applicable to Executive Board for April 2011 to March 2012.

Resolved:

That the report be noted.

13 **Police Reform and Social Responsibility Act 2011**

The Assistant Chief Executive and Solicitor to the Council informed Members about progress with the implementation of the above legislation in amending the provisions of the Licensing Act 2003 and the Board was asked to agree to the necessary amendments to the Constitution.

Recommended:

- a That the changes to the Licensing Act 2003 be noted; and
- b That the Constitution of the Council be changed to reflect the delegated powers detailed in paragraphs 3.6 and 3.9 of the Appendix attached to the report Assistant Chief Executive and Solicitor to The Council.

14 Membership of the Democratic Structures Task and Finish Group.

The Board was asked to agree the membership of the Democratic Structures Task and Finish Group for the ensuing year.

Resolved:

That for 2012/13 the membership of the Democratic Structures Task and Finish Group comprise Councillors M Stanley, Sweet, Moore, Fox and Smith. Substitutes Councillors Morson, Winter, Hayfield and Lea.

15 Minutes of the meeting of the Special Sub-Group held on 23 April and 15 May 2012

The minutes of the meetings of the Special Sub-Group held on 23 April and 15 May 2012 were received and noted.

16 Minutes of the meeting of the Local Development Framework Sub-Committee held on 25 April and 17 May 2012

The minutes of the meetings of the Local Development Framework Sub-Committee held on 25 April and 17 May 2012 were received and noted.

Chairman

Agenda Item No 6

Executive Board

11 September 2012

Report of the Deputy Chief Executive

Financial Statements 2011/12

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 2012. This report presents the audited Financial Statements.

Recommendation to the Board

- a That the transfer from the Housing Revenue Account to the General Fund be noted; and**
- b That the 2011/12 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 2011/12 financial year, the Authority is required to prepare its accounts by 30 June and to publish them by 30 September.

3 2011/12 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 2012. In both areas the actual out turn position was better than the revised budget. The improved position on the HRA has given the ability to consider a transfer of funds to the General Fund, for the past use of capital receipts, which is explained below.
- 3.2 All of the Authority's usable capital receipts are held by the General Fund, and any investment income gained from the receipts are used to offset costs in the General Fund. Under the previous Housing Subsidy system, the ability of the HRA to generate revenue funding to support prudential borrowing was very limited. As a result, capital receipts were used to fund HRA work on decent homes.
- 3.3 This had a negative effect on the financial position of the General Fund, as the use resulted in a loss of investment income. There was no realistic ability to

charge the HRA for their use of the receipts, without a significant detrimental impact on the HRA. As such the cost of that element of the Decent Homes work fell on the General Fund.

3.4 The position on the HRA was significantly better than estimated in 2011/12, leaving £1.476 million in balances at the end of the year. Current legislation allows some / all of the balance on the HRA at the year end, to be transferred to the General Fund, provided that the HRA were not in receipt of Housing Subsidy. As we didn't receive any subsidy but actually paid into the National Pool in 2011/12, we are able to transfer some / all of the £1.476 million HRA balance into the General Fund.

3.5 The financial position of the HRA is better now than it has been for many years. It will improve further going forward, given the move to Self Financing. This makes a transfer of some of the HRA balance, to give some reimbursement to the General Fund for the use of receipts, a viable option. The use of receipts for HRA capital spending between 2004/05 and 2009/10 amounted to £5,155,443. The loss of interest to the General Fund on these receipts has been calculated at £800,000, and a transfer of this amount has been included within the Financial Statements, shown as Appendix A.

...

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 are expected to change following the audit.

4.2 The financial statements have now been audited by the Council's external auditors, PricewaterhouseCoopers LLP. There have been a couple of changes to the accounts following the audit. The changes made are:

- Some Non Domestic Rate (NDR) revaluations carried out after the closure of the NDR accounts required refunds to be made to some local businesses, which related to 2011/12 and prior years. These totalled £0.804 million and have since been made in 2012/13. Their inclusion in the 2011/12 accounts has increased the amount owed to sundry creditors, has removed the creditor owed to the National Pool and created a debtor as the National Pool now owes money to the Authority.
- The fee included within the statements for the audit of the 2011/12 accounts was based on 2010/11 figures. The actual cost of audit work will be £5,000 less than the sum included. This adjustment will reduce expenditure and increase the General Fund balance at the end of the year.

4.3 In addition, there have been some minor presentational changes in the statements for 2011/12 in order to comply with the current appropriate codes of accounting practice.

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 2011/12 impacts upon future years. The General Fund balance totals £4,198,000 at 31 March 2012, whilst the Housing Revenue Account amounts to £676,000.

5.1.2 However, 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. The position on the Housing Revenue Account is sufficient at March 2012 and will improve under the self financing system from April 2012.

5.2 Environment and Sustainability Implications

5.2.1 The Council has remained within its overall budgets for the 2011/12 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	General Fund Budget and Setting the Council Tax 2011/12	February 2011
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2011/12	February 2011

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS

2011/12

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

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Explanatory Foreword to the Financial Statements

This section highlights some of the most important matters reported in the accounts and comments on any issues that have had a major effect on our finances.

Introduction

This document summarises our financial affairs for 2011/12 and shows our financial position at 31 March 2012. It includes the following statements and accounts: -

- **Statement of responsibilities for the statement of accounts** – identifies who is responsible for preparing the accounts.
- **Movements in Reserves Statement** – this shows the movement in the year on the different reserves we hold, analysed into ‘usable reserves’ (those that can be used to fund expenditure or reduce local taxation) and other reserves.
- **Comprehensive Income and Expenditure Statement** – this shows the cost in the year of providing services (in accordance with generally accepted accounting practices), rather than the amount to be funded from taxation.
- **Balance sheet** – this shows the value of our assets and liabilities at a given date. Our net assets (assets less liabilities) are matched by the reserves we hold.
- **Cash-flow statement** – this shows the changes in the cash and cash equivalents we hold during the year.
- **Notes to the Financial Statements** – these give some additional detail on our financial activities during the year.
- **Housing Revenue Account and Notes** – shows the revenue spending on the Council’s own housing stock and then removes entries which aren’t funded from rent income.
- **Collection Fund Statement** – shows the Business Rates and Council Tax collected during the year on behalf of ourself and other organisations.
- **Statement of accounting policies** – gives the general rules used for preparing these accounts.
- **Independent Auditors Report** – the Council’s external auditors give an opinion on whether the statements present a true and fair view of the Council’s financial position.
- **Annual Governance Statement** – this identifies 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.

Changes in the Statements

2011/12 is the second year we have prepared the accounts on an International Financial Reporting Standards (IFRS) basis. We have re-stated some balances and transactions for 2010/11, so that they are comparable to 2011/12. The result of this is some amounts for 2010/11 are different from the equivalent figures presented in the 2010/11 Financial Statements.

The main differences are:

- The adoption of Financial Reporting Standard 30 requires heritage assets to be shown within the statements at valuation. These assets had not previously been recorded within the Authority’s accounts.
- The details on the related parties disclosure note have been updated to comply with IAS 24 (see note 36 for details).
- The 2011/12 code has also introduced a requirement to disclose the number and cost of exit packages agreed during the year (see note 33 and 40 for details).

Some further detail on the changes is given in Note 1 to the Financial Statements on page 13.

The Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement discloses the income receivable and expenditure incurred in operating the Council for the year, and shows a deficit of £68.889 million for 2011/12. The main reason for the deficit is the cost of the Self Financing Settlement payment made in relation to the Council's own housing stock. Long term borrowing of £59.539 million was taken from the Public Works Loan Board, to make a one off payment to the government. This will replace the annual payment into the National Pool.

The deficit is then adjusted by the various entries, which are summarised in the Movement in Reserves Statement and detailed in notes 6 and 7 in the Notes to the Financial Statements, as these must be taken into account in determining the Council's budget requirement and Council Tax demand.

Revenue spending in 2011/12

➤ General Fund (GF) Services

After considering the many spending pressures we faced, and the reductions we were able to make in our budget, we decreased our Council Tax by 1%. We originally planned to spend £10.484 million, after using some of our past savings and allowing for expected income generated by services. We planned to provide funding for Local Strategic Partnerships to enable work on access, health, well being and skills. Funding for Beeline and opposing HS2 was also set aside.

The table below summarises our 2011/12 budget compared with the actual figures for General Fund Revenue Services.

	Original Budget £000	Net Revenue Spending £000
Total revenue spending	43,067	42,747
Less income relating to those services	33,502	33,861
Net Spending on Services	9,565	8,886
Interest Payable	15	14
Parish Precepts	904	904
Contribution to Balances	-	202
Total	10,484	10,006

The main changes from the original budget relate to:

- Reduced staffing costs due to a zero pay award, the deletion and freezing of a number of posts, some part year vacancies and a reduction in recruitment activity;
- Funding to repay previous borrowing has not been set aside in the year due to the additional provision made in prior years;
- The receipt of New Homes Bonus income which was not anticipated in the budget;
- An increase in the recovery of housing benefit overpayments;
- Increased income in a number of areas including Warwickshire County Council grass cutting, part year operation of the Queen Elizabeth School artificial grass pitch, community development grant income and legal costs as part of council tax collection; and
- A general reduction in service expenditure on consultation activity, community development activity, democratic process, emergency planning and NDR discretionary relief.

Our money in 2011/12 came mainly from Council Tax, the Government Revenue Support Grant and our share of Business Rates. We also obtained income from investing our unused balances; this was higher than expected when the original budget was set.

	Original Budget £000	Other Income £000
Council Tax	5,330	5,330
Revenue Support Grant	1,133	1,133
Business Rates	3,305	3,305
Contribution from Collection Fund	73	73
Interest on balances	100	165
Contribution from Balances	543	-
Total	10,484	10,006

At the end of the year our total revenue reserves amounted to £8.171 million. The table below shows the different types of reserve we hold.

Revenue Reserves	£000
General Reserve (for unexpected events)	4,198
For capital spending (for spending on assets with a lasting value)	1,681
Other reserves (held for specific purposes)	3,097
Total	8,976

The General Reserve held for unexpected events is better than that predicted in our financial strategy. This will help us to maintain reserves at an acceptable level in the future.

➤ **Housing Revenue Account (HRA)**

This account covers income and expenditure during the year on our own stock of council houses. We are required to provide a separate account for this service.

Spending on services includes the day-to-day costs of managing and maintaining the housing stock. A contribution is also made to the Major Repairs Reserve, which is used for the refurbishment of properties over the long term. We also had to pay an amount over to the Department for Communities and Local Government (CLG) into a national pool for housing in 2011/12. This will not be required in the future, as the council will no longer be in a National Housing Pool.

	Original Budget £000	Net Revenue Spending £000
Spending on Services	3,945	4,050
Annual Cost of Capital Expenditure	466	83
Contribution to Major Repairs Reserve	1,765	1,749
Payment to the Government (CLG)	3,754	3,728
Contribution to Balances	193	626
Total	10,123	10,236

Spending on the HRA is lower than the original budget, with the main variances due to:

- Expenditure on capital is lower than estimated as the provision for additional repayments to cover prudential debt, was not required;
- The provision for revenue contributions to support capital spending was not needed;
- There has been a lower level of the Supporting People Grant received in the year;
- There has been an increase in the provision made for non-recovery of service charges from leaseholders; and
- There has been an increase in the provision made for non-recovery of council house rents.

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, with some other small additional amounts such as investment income. These are shown below.

	Original Budget £000	Net Income £000
Rents and Contributions	10,112	10,226
Interest earned	11	10
Total	10,123	10,236

- Rental income has increased due to lower levels of voids;
- Additional income from Leaseholder Service Charges, to reflect the work carried out on their homes.

As a result the contribution to general balances was higher than the original estimate and balances remain above the required level of £500,000.

At the end of the year our total revenue reserves in the Housing Revenue Account amounted to £3.147 million. The table below shows the different types of reserve we hold.

Revenue Reserves	£000
Housing Revenue Reserve (for unexpected events)	676
Major Repairs Reserve (for spending with a lasting value on housing assets)	1,614
Other reserves (held for specific purposes)	57
Total	2,347

Collection Fund Statement

We are responsible for collecting Council Tax from the residents of North Warwickshire on behalf of Warwickshire County Council, Warwickshire Police Authority, and the Borough Council itself. Town and Parish Council charges are included within the Borough Council's demand on the Collection Fund. We are also responsible for collecting business rates on behalf of the Government.

Council Tax and Business Rates continued to be managed successfully with a collection rate of 98.33% for Council Tax and 99.32% for business rates falling due in 2011/12.

Capital Spending in 2011/12

Alongside our day-to-day costs we spend money on assets such as buildings, vehicles, equipment and computer systems. During 2011/12 our capital spending was less than the agreed programme and came to £2.390 million.

The 2011/12 Capital Programme includes amounts brought forward from 2010/11 that had not been spent and is shown below, together with a comparison to actual expenditure.

	Programme £000	Expenditure £000
Council Housing	2,390	1,630
Housing General Fund Services	713	367
Other General Fund Services	1,017	393
Total	4,120	2,390

A few projects have not been fully completed. Schemes such as council housing improvements and disabled facility grants to private sector housing tend to span several years and therefore spending does not always occur in a set period. Some work has also

taken longer to ensure that maximum value for money is achieved, such as in the case of the Atherstone Accommodation Project.

All schemes not completed in 2011/12 are reviewed, and where the project is still needed, the money will be spent in 2012/13. Any remaining funding which is unspent will be available for other projects in the future, or to offset the capital deficit in the next few years.

We received some capital income during the year from the sale of eight council houses, and some land at Jean Street Baddesley Ensor and Rectory Road Arley. The car park at Birmingham Road, Coleshill was also sold to a developer. The council houses were sold under the Right to Buy legislation.

We revalue all of our assets within a five-year period, with a proportion revalued each year. The value of our assets in 2011/12 has reduced by £7.006 million, primarily due to the reduction in the valuation of council properties in the Borough, as well as disposals such as the car park which was valued at £1.150 million. New assets included relate to Information Technology infrastructure upgrades, a new Land Rover, transit van, jetting unit, road sweeper and the completion of two play areas which were under construction at 31 March 2011. When our spending in 2011/12 is included, together with some disposals, revaluations, depreciation and impairments, the total value of assets at the end of the year is £121,305 million.

We have £59.539 million of long term borrowing from the PWLB, relating to the compulsory buy out of our housing stock from the Housing Subsidy system.

The level of capital resources held at the year-end for future capital spending was £7.693 million.

Pension Costs

Pension costs are included in the accounts to meet the requirements of International Accounting Standard 26 (IAS 26), a reporting standard that relates to retirement benefits. We must make sure that the financial statements reflect fairly the assets and liabilities relating to retirement benefits we are responsible for as an employer, and that we show the true cost of these responsibilities.

Under IAS 26, the shortfall on the Local Government Pension scheme in the balance sheet is £20.193 million. Any change in service costs on the Income and Expenditure Statement is met by a transfer from the Pensions Reserve so that the charge against Council Tax reflects the actual cash paid during the year. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

The pension fund's actuary values the pension fund every three years. The last full valuation took place as at 31 March 2010 and showed the pension fund was 86% funded. Employer's rates are increasing gradually, with the long term aim of achieving a 100% funding level.

Further details of Pension transactions can be found in the notes to the Financial Statements.

Impact of the Current Economic Climate on the Council

The Council has had a Medium Term Financial Strategy (MTFS) in place for a number of years, which has included 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. The reductions needed for 2011/12 were found before the year started, with limited impact on front line services.

The MTFs was updated during the year. The expected level of funding from central government has been included in the updated strategy, together with revised savings targets. The savings needed for 2012/13 have been identified in advance and included in the budget approved by the Council. Savings of around £1.242 million will still be needed over the following three years and will ensure that we continue to hold sufficient general reserves.

As part of our financial strategy we adopted a policy of reviewing any posts that become vacant, so that only critical posts are filled. This policy has assisted us to meet our savings targets over the last couple of years and we will continue to review all vacancies in the future. In addition, all services have been targeted with putting forward proposals to meet the savings targets, for consideration by Council Members.

Looking ahead to 2012/13

Central government offered an amount equal to a 2.5% increase for those councils who didn't increase their council tax in 2012/13. Although the government support is only available for one year, we held our 2012/13 Council Tax at 2011/12 levels, given the difficult financial times ahead for most families. We plan to use some of our reserves to support spending on services. The actual decrease in planned net spending (after service income) was 4.2%. We plan to spend £8.958 million in total, giving priority to meeting the costs of faster broadband across Warwickshire. Schemes to promote access to services and health initiatives, which started in 2011/12, will continue to be a priority in 2012/13.

Planned capital spending for 2012/13 is £6.078 million, including funding for 2011/12 schemes which were not completed. Our priority for capital spending continues to be maintaining our housing stock along with providing support for those in private sector housing.

We will continue to try to meet inflationary costs and rising service demands by making our services more efficient and improving value for money. Our aims are set out in the budget resolution, which the Council approved in February 2012.

C J Brewer CPFA

Director of Resources, 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 ensure that one of its officers has the responsibility for the administration of those affairs. In North Warwickshire Borough Council this 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.

In preparing this Statements of Accounts the Deputy Chief Executive has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

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 2011/12 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 2012.

All known material events that have occurred up to and including this date, which relate to 2011/12 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 authority analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are 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 Authority Reserves £000
Balance at 1 April 2010	2,336	4,235	670	287	2,664	1	-	10,193	123,038	133,231
<u>Movement in reserves during 2010/11</u>										
Surplus or (deficit) on the provision of services	1,732	-	(26,397)	-	-	-	-	(24,665)	-	(24,665)
Other Comprehensive Income and Expenditure	6,059	-	38	-	-	-	8	6,105	(21)	6,084
Total Comprehensive Income and Expenditure	7,791	-	(26,359)	-	-	-	8	(18,560)	(21)	(18,581)
Adjustments between accounting basis and funding basis under regulations (note 6)	(6,727)	-	26,424	-	328	1,056	-	21,081	(21,081)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	1,064	-	65	-	328	1,056	8	2,521	(21,102)	(18,581)
Transfers to/from Earmarked Reserves (note 7)	(204)	96	115	(155)	-	-	-	(148)	148	-
Increase/ (Decrease) in 2010/11	860	96	180	(155)	328	1,056	8	2,373	(20,954)	(18,581)
Balance at 31 March 2011 carried forward	3,196	4,331	850	132	2,992	1,057	8	12,566	102,084	114,650
<u>Movement in reserves during 2011/12</u>										
Surplus or (deficit) on the provision of services	419	-	(56,285)	-	-	-	-	(55,866)	-	(55,866)
Other Comprehensive Income and Expenditure	(4,012)	-	(9,006)	-	-	-	7	(13,011)	49	(12,962)
Total Comprehensive Income and Expenditure	(3,593)	-	(65,291)	-	-	-	7	(68,877)	49	(68,828)
Adjustments between accounting basis and funding basis under regulations (note 6)	4,265	-	65,852	-	1,313	557	(8)	71,979	(71,979)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	672	-	561	-	1,313	557	(1)	3,102	(71,930)	(68,828)
Transfers to/from Earmarked Reserves (note 7)	330	447	(735)	(75)	-	-	-	(33)	33	-
Increase/ (Decrease) in Year	1,002	447	(174)	(75)	1,313	557	(1)	3,069	(71,897)	(68,828)
Balance at 31 March 2012 carried forward	4,198	4,778	676	57	4,305	1,614	7	15,635	30,187	45,822

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2012

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

2010/11 Restated	2010/11 Restated	2010/11 Restated		2011/12	2011/12	2011/12
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,840	(5,341)	499	Central Services to the Public	5,831	(5,539)	292
3,959	(1,097)	2,862	Environmental and Regulatory Services	3,994	(873)	3,121
4,113	(1,664)	2,449	Cultural and Related Services	3,844	(1,679)	2,165
1,688	(1,060)	628	Planning Services	1,449	(532)	917
189	280	469	Other Services (*)	766	(401)	365
486	(94)	392	Highways and Transport Services	106	(1,153)	(1,047)
45,575	(18,433)	27,142	Local Authority Housing	72,862	(16,247)	56,615
9,055	(8,021)	1,034	Other Housing Services	8,976	(8,247)	729
1,504	(79)	1,425	Corporate and Democratic Core	1,474	(84)	1,390
47	-	47	Non-Distributed Costs	152	-	152
(3,750)	-	(3,750)	Non-Distributed Costs – Pensions past service costs	-	-	-
68,706	(35,509)	33,197	COST OF SERVICES	99,454	(34,755)	64,699
996	(8)	988	Other Operating expenditure (Note 8)	1,278	(223)	1,055
4,525	(3,171)	1,354	Financing and investment income and expenditure (Note 9)	3,403	(3,410)	(7)
-	(10,874)	(10,874)	Taxation and non-specific grant income (Note 10)	-	(9,881)	(9,881)
74,227	(49,562)	24,665	(Surplus)/Deficit on Provision of Services	104,135	(48,269)	55,866
-	(38)	(38)	Surplus or Deficit on revaluation of Property, Plant and Equipment	9,006	-	9,006
-	(6,059)	(6,059)	Actuarial gains/losses on pension assets / liabilities	4,012	-	4,012
-	(6,097)	(6,097)	Other Comprehensive Income and Expenditure	13,018	-	13,018
74,227	(55,659)	18,568	Total Comprehensive Income and Expenditure	117,153	(48,269)	68,884

(*) includes spending on North Talk, Investors in People, Compensation and Pension increases, Value for Money, Consultation, Corporate Policy, Contact Centre and Branching Out Bus.

North Warwickshire Borough Council

Balance Sheet as at 31 March 2012

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (*assets less liabilities*) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of 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 are those that the authority 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'.

Restated 31 March 2011 £000		Note	31 March 2012 £000
120,691	Property, Plant and Equipment	11	112,604
45	Heritage Assets	12	699
7,461	Investment Property	13	7,429
545	Intangible Assets	14	393
191	Assets Held on Leases	38	180
5	Long Term Investments		6
11	Long Term Receivables	15/24	3
128,949	LONG TERM ASSETS		121,314
124	Assets Held for Sale	20	-
5,079	Short Term Investments	15/42	3,030
52	Inventories	16	68
4,940	Short Term Receivables	15/18	1,611
1,671	Cash and Cash Equivalents	19	4,027
11,866	CURRENT ASSETS		8,736
(3,000)	Short Term Borrowing	15	-
(6,916)	Short Term Payables	15/21	(4,209)
(9,916)	CURRENT LIABILITIES		(4,209)
-	Long Term PWLB Loans	42	(59,539)
(191)	Other Long Term Liabilities (leases)	38	(180)
(15,758)	Pension Fund Liabilities	41	(20,193)
(300)	Receipts in Advance - Capital Grants	35	(107)
(16,249)	LONG TERM LIABILITIES		(80,019)
114,650	NET ASSETS		45,822
12,566	Usable Reserves	23	15,635
102,084	Unusable Reserves	24	30,187
114,650	TOTAL RESERVES		45,822

Signed _____

Date _____

C J Brewer CPFA, Deputy Chief Executive

North Warwickshire Borough Council

Cash Flow Statement for the Year Ended 31 March 2012

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

2010/11 £000		2011/12 £000
24,665	Net (surplus) or deficit on the provision of services	55,866
(26,583)	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 25)	1,840
902	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 25)	139
(1,016)	Net cash flows from Operating Activities (Note 25)	57,845
858	Investing Activities (Note 26)	(1,214)
(185)	Financing Activities (Note 27)	(58,987)
(343)	Net Increase or decrease in cash and cash equivalents	(2,356)
(1,328)	Cash and Cash Equivalents at the beginning of the reporting period	(1,671)
(1,671)	Cash and Cash Equivalents at the end of the reporting period (Note 19)	(4,027)

North Warwickshire Borough Council

NOTES TO THE FINANCIAL STATEMENTS

1. Additional changes under IFRS made to the Statements in 2011/12

The code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies (see note 21 on page 77), the Authority now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 we are required to change our accounting policy for heritage assets and recognise them at valuation. Previously these assets were not recognised in the balance sheet. The balance sheet at 31 March 2011 has been restated to apply the new policy. We have recognised additional assets of £44,911 in the long term assets section of the balance sheet, with a corresponding increase in the Revaluation Reserve which changes the unusable reserves. The 2010/11 Balance Sheet and Movement in Reserves Statement have been restated to reflect these changes.

	Original Balance Sheet 31 March 2011	Restated Balance Sheet 31 March 2011
	£000	£000
<u>Movement in Reserves Statement</u>		
<i>Unusable Reserves</i>		
Other Comprehensive Income and Expenditure	(66)	(21)
Total Comprehensive Income and Expenditure	(66)	(21)
Net Increase/Decrease before Transfers to Earmarked Reserves	(21,147)	(21,102)
Increase/ (Decrease) in Year	(20,999)	(20,954)
Balance at 31 March 2011 carried forward	102,039	102,084
<u>Balance Sheet</u>		
Heritage Assets	-	45
Long Term Assets	128,904	128,949
Net Assets	114,605	114,650
Unusable Reserves	102,039	102,084
Total Reserves	114,605	114,650

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

IFRS 7 relates to Financial Instruments disclosures around the transfer of financial assets. This has no relevance to this authority as we have not retained ownership of any assets but assigned future cash flows generated by this instrument, at the same time as retaining substantially all the risks and rewards of ownership.

3. Critical Judgements in applying Accounting Policies

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

There is only one critical judgement made in the Statement of Accounts, which is around the 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 Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority 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 Authority's Balance Sheet at 31 March 2012 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 dependant 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 £96,065 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 Authority 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 £12.9 million. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pension's liability had increased by £1.317 million attributable to updating the assumptions.
Arrears	At 31 March 2012, we had a balance of sundry receivables of £246,278. A review of significant balances suggested that an impairment of doubtful debts of 25.5% (£62,884) 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 £62,884 to set aside as an allowance.

5. Material Items of Income and Expense

All authorities with a housing stock have been part of a National Housing Pool, which distributed subsidy to those authorities deemed 'in need'. The Government took the decision to end the subsidy system, and move authorities to a Self Financing system from April 2012. To do this, the Government valued each authority's housing stock / business plan, and compared that value to the amount of debt being funded through the subsidy system. If, as in our case, the valuation was higher than the debt, the authority was required to pay the difference to the Government. On 28 March 2012 the Authority borrowed £59.539 million from the Public Works Loan Board to fund the Self Financing Settlement payment required, ready for the implementation of the new system from 1 April 2012.

During the year the Authority sold a piece of land in Coleshill for development receiving £1,125,000.

In overall terms the council's housing stock reduced in value during the year. Revaluation losses of £9.023 million were charged to the Housing Revenue Account. This was partially offset by increases in some properties across the Borough of £1.125 million (see Housing Revenue Account income and expenditure statement for details).

6. 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 the Authority to meet future capital and revenue expenditure.

2011/12	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited/credited to the Comprehensive Income and Expenditure Statement</i>						
Charges for depreciation and impairment of non-current assets	(796)	(275)	-	(1,610)	-	2,681
Amortisation of intangible assets	(159)	-	-	-	-	159
Capital grants and contributions applied	101	150	-	-	13	(264)
Revenue expenditure funded from capital under statute	24	-	-	-	-	(24)
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(36)	(438)	-	-	-	474
Revaluation loss on property, plant and equipment	-	(9,006)	-	-	-	9,006
Movements in the market value of investment properties	77	71	-	-	-	(148)
Reversal of impairment losses	-	2,348	-	-	-	(2,348)
HRA Settlement Loan	-	(59,539)	-	-	-	59,539

2011/12	Usable Reserves					Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
<i>Insertion of items not debited/credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	131	-	-	-	-	(131)
Capital expenditure charged against the GF and HRA balances	114	-	-	-	-	(114)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,130	667	(1,792)	-	(5)	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	139	-	-	(139)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(1)	(5)	6	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the governments capital receipts pool	(342)	-	342	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Deferred Capital Receipts	-	-	(8)	-	-	8
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of the Major Repairs Allowance credited to the HRA	-	139	-	(139)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	1,192	-	(1,192)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	29	-	-	-	(29)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits	(4,444)	9	-	-	-	4,435
	Usable Reserves					

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(16)	-	-	-	-	16
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statements on an accruals basis is different from remuneration rechargeable in the year in accordance with statutory requirements	(48)	(2)	-	-	-	50
Total Adjustments	(4,265)	(65,852)	(1,313)	(557)	8	71,979

2010/11 comparative figures	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
<i>Reversal of items debited/credited to the Comprehensive Income and Expenditure Statement</i>						
Charges for depreciation and impairment of non-current assets	(941)	(28,498)	-	(1,559)	-	30,998
Amortisation of intangible assets	(234)	-	-	-	-	234
Capital grants and contributions applied	231	1,028	-	-	-	(1,259)
Revenue expenditure funded from capital under statute	(221)	-	-	-	-	221
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(6)	(688)	-	-	-	694
Movements in the market value of investment properties	(279)	(80)	-	-	-	359
Reversal of impairment losses on Council Houses	-	38	-	-	-	(38)
<i>Insertion of items not debited/credited to the Comprehensive Income and Expenditure Statement</i>						
Statutory provision for the financing of capital investment	344	-	-	-	-	(344)
Capital expenditure charged against the GF and HRA balances	72	120	-	-	-	(192)

Usable Reserves

2010/11 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	635	(635)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	257	-	-	(257)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(5)	5	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the governments capital receipts pool	(49)	-	49	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Deferred Capital Receipts	-	-	(4)	-	-	4
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of the Major Repairs Allowance credited to the HRA	-	172	-	(172)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	675	-	(675)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	30	-	-	-	(30)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits	7,809	830	-	-	-	(8,639)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	15	-	-	-	-	(15)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statements on an accruals basis is different from remuneration rechargeable in the year in accordance with statutory requirements	(14)	(6)	-	-	-	20
Total Adjustments	6,727	(26,424)	(328)	(1,056)	-	21,081

7. 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 2011/12.

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers in 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers in 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
General Fund							
External funding received towards the provision of council services	838	(290)	190	738	(226)	145	657
One off funding set aside to progress specific council priorities	140	(13)	-	127	(35)	216	308
Contingency funding set aside to cover potential risks on areas such as VAT recovery and the receipt of benefit subsidy	412	(83)	41	370	(221)	275	424
Other reserves held for revenue purposes to cover timing issues on spending	1,825	(335)	229	1,719	(285)	252	1,686
Reserves held on behalf of Other Organisations	22	-	-	22	-	-	22
Reserves Held for Capital Spending	998	(142)	499	1,355	(36)	362	1,681
Total General Fund Reserves	4,235	(863)	959	4,331	(803)	1,250	4,778
HRA							
Housing Act Advances	55	(40)	-	15	(10)	-	5
Housing Repairs Reserve	182	(2,531)	2,466	117	(2,528)	2,463	52
Reserves held for Capital spending	50	(50)	-	-	-	-	-
Total HRA Reserves	287	(2,621)	2,466	132	(2,538)	2,463	57
Total Earmarked Reserves	4,522	(3,484)	3,425	4,463	(3,341)	3,713	4,835

8. Other Operating Expenditure

2010/11		2011/12
£000		£000
888	Parish council precepts	904
49	Payments to the Government Housing Receipts Pool	342
51	(Gains)/losses on the disposal of non current assets	(191)
988	Total	1,055

9. Financing and Investment Income and Expenditure

2010/11		2011/12
£000		£000
13	Interest payable and similar charges	14
(171)	Interest receivable and similar income	(165)
1,087	Pensions interest and expected return on pension assets	464
425	Income and expenditure in relation to investment properties and changes in their fair value	(320)
1,354	Total	(7)

10. Taxation and Non Specific Grant Income

2010/11		2011/12
£000		£000
(5,398)	Council tax income **	(5,386)
(4,747)	Non domestic rates	(3,305)
(729)	Non-ring fenced government grants *	(1,190)
(10,874)	Total	(9,881)

* Non-ring fenced government grants are shown individually in note 35.

** Council Tax income includes a contribution from the collection fund of £72,880 in 2011/12 (£53,000 in 2010/11) and the authority's share of the residual balance as detailed in note 24 on the collection fund adjustment account of £16,101, which will be transferred in 2012/13. (£15,398 transferred in 2011/12).

11. Property, Plant and Equipment

Movements in balances in 2011/12:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2011	121,957	60,670	3,339	23	124	-	927	187,040
Additions	1,417	63	169	79	-	-	155	1,883
Revaluations increases/decreases recognised in the Revaluation Reserve	(47)	1,245	-	-	-	-	-	1,198
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of services	(6,050)	(3,670)	-	-	-	-	-	(9,720)
De-recognition – disposals	(173)	(74)	(170)	-	-	-	-	(417)
Assets reclassified (to)/from Held for Sale	-	(1,150)	-	-	-	-	-	(1,150)
Other movements in Cost or Valuation	161	21	103	-	-	-	(177)	108
As at 31 March 2012	117,265	57,105	3,441	102	124	-	905	178,942
Accumulated Depreciation and Impairment								
As at 1 April 2011	(51,016)	(13,276)	(1,572)	(4)	-	-	(481)	(66,349)
Depreciation charge	(1,523)	(389)	(384)	(2)	-	-	-	(2,298)
Depreciation written out to the Revaluation Reserve	70	76	-	-	-	-	-	146
Depreciation written out to the Surplus / Deficit on the Provision of Services	1,410	-	-	-	-	-	-	1,410
Impairment losses / (reversals) recognised in the Revaluation Reserve	(1)	(687)	-	-	-	-	(91)	(779)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	441	1,200	-	-	-	-	(273)	1,368
De-recognition - disposals	2	-	159	-	-	-	-	161
De-recognition - Other	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	1	2	-	-	-	-	-	3
At 31 March 2012	(50,616)	(13,074)	(1,797)	(6)	-	-	(845)	(66,338)
Net Book Value								
At 31 March 2012	66,649	44,031	1,644	96	124	-	60	112,604
At 31 March 2011	70,941	47,394	1,767	19	124	-	446	120,691

Comparative movements in balances in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2010	120,146	60,056	2,975	23	124	-	88	183,412
Additions	1,042	169	389	-	-	-	2,017	3,617
Donations	-	-	-	-	-	-	-	-
Revaluations increases/decreases recognised in the Revaluation Reserve	(6)	84	-	-	-	-	-	78
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of services	2	36	-	-	-	-	-	38
De-recognition - disposals	(24)	(56)	(25)	-	-	-	-	(105)
De-recognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	797	381	-	-	-	-	(1,178)	-
As at 31 March 2011	121,957	60,670	3,339	23	124	-	927	187,040
Accumulated Depreciation and Impairment								
As at 1 April 2010	(32,438)	(2,065)	(1,253)	(3)	-	-	-	(35,759)
Depreciation charge	(1,482)	(397)	(344)	(1)	-	-	-	(2,224)
Depreciation written out to the Revaluation Reserve	53	200	-	-	-	-	-	253
Depreciation written out to the Surplus / Deficit on the Provision of Services	1,775	58	-	-	-	-	-	1,833
Impairment losses / (reversals) recognised in the Revaluation Reserve	(2)	(6)	-	-	-	-	-	(8)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(18,922)	(11,066)	-	-	-	-	(481)	(30,469)
Derecognition - disposals	-	-	25	-	-	-	-	25
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
As at 31 March 2011	(51,016)	(13,726)	(1,572)	(4)	-	-	(481)	(66,349)
Net Book Value								
As at 31 March 2011	70,941	47,394	1,767	19	124	-	446	120,691
As at 31 March 2010	87,708	57,991	1,722	20	124	-	88	147,653

Depreciation

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

Building	Assumed Life (Years)
Leisure Centres	10 – 20
Other arts/leisure venues	5
Community Centres	2-50
Pavilions	10 – 43
Hostels	50
Shops	15 – 50
Public Conveniences	20
Offices and Depot	20 – 50
Council Houses	40-50
Garages	20

Capital Commitments

We had no capital commitments at the end of the year.

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 based on 1 April 2011 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	101,653	56,756	2,237	-	160,646
Valued at fair value as at:					
31 March 2012	(4,351)	(3,053)	101	-	(7,305)
31 March 2011	(17,113)	(10,458)	365	-	(27,206)
31 March 2010	7,039	(177)	663	-	7,525
31 March 2009	(24,642)	183	5	(2,606)	(27,060)
31 March 2008	5,486	2,707	70	2,606	10,869
Total Cost or Valuation	68,072	45,958	3,441	-	117,471

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 2011/12. 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 £
Council House Dwellings	31/03/2059	31/03/2060	(27,038)
Council House Dwellings Timber framed	31/03/2059	31/03/2050	656
Abbey Green Community Centre	28/03/2012	31/03/2013	(10,000)
Community Centres	Various	31/03/2061	(11,864)
Garages	31/03/2030	31/03/2031	(3,204)
WDP Contact Centre Software	31/03/2013	31/03/2014	(23,906)
GIS Enhancements	31/03/2014	31/03/2015	(23,393)
EDRMS	31/03/2012	31/03/2014	(8,064)
IT equipment (various)	31/03/2012	31/03/2014	(18,303)
IT equipment (various)	31/03/2013	31/03/2014	(28,231)
IT equipment (various)	31/03/2014	31/03/2015	(29,756)
Total			(183,103)

12. Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Authority.

2010/11 £000	Civic Regalia	2011/12 £000
	Cost or Valuation	
45	Balance as at 1 April	45
-	Revaluations	654
45	Balance as at 31 March	699

Civic Regalia

The civic regalia consist of a number of items of gold which are ceremonially used 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 assets had a zero valuation at 1 April 2010 as historically the assets were not included on the balance sheet. The revaluation during 2010/11 reflects the inclusion on the balance sheet.

13. Investment Properties

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 Properties.

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:

2010/11 £000		2011/12 £000
(417)	Rental income from investment property	(425)
483	Direct operating expenses arising from investment property	253
359	Change in fair value of investment properties	(148)
425	Net (gain)/loss	(320)

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

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

2010/11 £000		2011/12 £000
8,215	Balance at start of the year	7,461
(6)	Disposals	(70)
(359)	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	148
(389)	Net gains/(losses) from fair value adjustment in the Revaluation Reserve	-
-	Transfers - to/from Property, Plant and Equipment	(110)
7,461	Balance at the end of the year	7,429

14. Intangible Assets

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

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 £158,422 charged to revenue in 2011/12 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 Service Organisation 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 Total and Microsoft Licences are recharged across all services.

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

	2010/11	2011/12
	Software Licences £000	Software Licences £000
Balance at start of year		
Gross carrying amounts	1,981	2,010
Accumulated amortisation	(1,231)	(1,465)
Net carrying amount at start of year	750	545
Additions:		
Expenditure in the year	29	7
Other disposals	-	-
Amortisation for the period	(234)	(159)
Other changes	-	-
Net carrying amount at end of year	545	393

Comprising:		
▪ Gross carrying amounts	2,010	2,017
▪ Accumulated amortisation	(1,465)	(1,624)
Net carrying amount at end of year	545	393

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

- Warwickshire Online Partnership. The main software purchased as a Warwickshire partnership cost £229,918 in 2004/05 and additional modules were purchased between 2004/05 and 2005/06 costing £59,845. The assets are being written off over a period of between 4 and 11 years,
- 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 is being amortised until 2014/15,
- Planning System (SX3). The software cost £137,563 in 2005/06 and 2006/07. The cost is being amortised until 2014/15,
- 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 DSO. 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 £93,582 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.

15. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Financial Liabilities (principal amount – PWLB Loans)	-	59,539	-	-
Financial Liabilities (principal amount)	119	88	3,000	-
-Other accounting adjustments – Premia	(31)	(29)	-	-
Financial Liabilities at amortised cost (*)	88	59	3,000	-
Total Borrowing	88	59,598	3,000	-
Total Payables	191	-	6,916	4,209
Loans and Receivables (principal amount)	2	1	5,079	3,030
-Other accounting adjustments - discounts	(1)	-	-	-
Loans and Receivables at amortised cost (*)	1	1	5,079	3,030
Financial Assets at Fair Value through profit or loss (**)	5	6	-	-
Total Investments	6	7	-	-
Total Receivables	11	3	4,940	1,611
Cash and Cash Equivalents	-	-	1,671	4,027

(*) 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.

(**) Fair value has been measured by direct reference to published price quotations in an active market.

➤ Gains and Losses on Repurchases of Borrowing

In previous years we have repurchased external borrowing, which has resulted in premiums and discounts arising. The premiums and discounts that arose from these repurchases that related to General Fund debt were charged to the General Fund revenue account in the year that they occurred. The amounts related to HRA debt are being written out over the same period of the original loans, and will be fully written out of the Balance Sheet in 2013/14. The movement on premiums and discounts is shown within long term borrowing and loans and receivables at amortised cost.

➤ Loans below Market Rates

During 2011/12 the Council granted Decent Homes Standard loans to 4 private owner occupiers totalling £20,346 and Disabled Facilities loans to 9 private owner occupiers totalling £46,073. The Authority 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.

16. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	7	18	18	31	1	3	26	52
Purchases	361	390	447	474	2	-	810	864
Recognised as an expense in the year	(350)	(379)	(434)	(467)	-	(2)	(784)	(848)
Written off balances	-	-	-	-	-	-	-	-
Balance at year end	18	29	31	38	3	1	52	68

17. Construction contracts

At 31 March 2012 the Authority had no construction contracts still in progress.

18. Receivables

31 March 2011 £000		31 March 2012 £000
4,056	Central Government Bodies	583
85	Other Local Authorities	84
799	Other Entities and Individuals	944
4,940	TOTAL	1,611

19. Cash and Cash Equivalents

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

31 March 2011 £000		31 March 2012 £000
3	Cash held by the Authority	3
1,668	Bank current accounts	4,024
1,671	Total Cash and Cash Equivalents	4,027

20. Assets Held for Sale

	Current		Non-Current	
	2010/11	2011/12	2010/11	2011/12
	£000	£000	£000	£000
Balance outstanding at start of year	733	124	-	-
Assets newly classified as held for sale:				
▪ Property, Plant and Equipment	-	75	-	-
Revaluation gains	-	1,075	-	-
Assets sold	(609)	(1,274)	-	-
Balance outstanding at year end	124	-	-	-

The newly classified asset held for sale relates to the Car Park in Coleshill. The land was reclassified in the year in preparation for the expected sale which took place. Its previous valuation was based on the use as a car park, so it was revalued prior to sale as this condition no longer applied.

21. Payables

31 March 2011 £000		31 March 2012 £000
1,252	Central Government Bodies	456
727	Other Local Authorities	530
4,937	Other entities and individuals	3,223
6,916	TOTAL	4,209

22. Provisions

As at 31 March 2012, we held no provisions (none were held at 31 March 2011).

23. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

24. Unusable Reserves

31 March 2011 £000		31 March 2012 £000
(5,326)	Revaluation Reserve	(5,340)
(112,551)	Capital Adjustment Account	(45,120)
87	Financial Instruments Adjustment Account	58
(11)	Deferred Capital Receipts Reserve	(3)
15,758	Pensions Reserve	20,193
(82)	Collection Fund Adjustment Account	(66)
41	Accumulated Absences Account	91
(102,084)	Total Unusable Reserves	(30,187)

Revaluation Reserve

The Revaluation reserve contains the gains made by the Authority 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.

2010/11 £000		2011/12 £000
(5,531)	Balance at 1 April	(5,326)
(337)	Upward revaluation of assets	(2,546)
(45)	Adjustment relating to the inclusion of Heritage Assets	-
14	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	115
389	Downward revaluation of investment properties impairment losses not charged to the Surplus/Deficit on the Provision of Services	-
184	Difference between fair value depreciation and historical cost depreciation	91
-	Amount written off to the Capital Adjustment Account	2,326
(5,326)	Balance at 31 March	(5,340)

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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

2010/11 £000		2011/12 £000	
(141,960)	Balance at 1 April		(112,551)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
30,998	▪ Charges for depreciation and impairment of non current assets	2,681	
-	▪ Revaluation losses on Property, Plant and Equipment	9,006	
234	▪ Amortisation of intangible assets	159	
221	▪ Revenue expenditure funded from capital under statute	(24)	
694	▪ 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	1,599	
(184)	Adjusting amounts written out of the Revaluation Reserve	(2,416)	
359	Movements in the market value of Investment Property	(148)	
(38)	Reversal of previous impairment losses	(1,125)	
	Payment to Secretary of State in Accordance with the requirements of the HRA settlement determination	59,539	69,271
	<i>Capital financing applied in the year:</i>		
(257)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(139)	
(675)	▪ Use of the Major Repairs Reserve to finance new capital expenditure	(1,192)	
(1,259)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(264)	
(344)	▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(131)	
(340)	▪ Capital expenditure charged against the General Fund and HRA balances	(114)	(1,840)
(112,551)	Balance at 31 March		(45,120)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums paid and discounts received on the early redemption of loans. The current balance relates to the early redemption of HRA loans, so the balance on the Account at 31 March 2012 will be charged to the Housing Revenue Account over the next 2 years.

2010/11 £000		2011/12 £000
117	Balance at 1 April	87
(30)	Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Account balance in accordance with statutory requirements	(29)
87	Balance at 31 March	58

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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority 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.

2010/11 £000		2011/12 £000
24,397	Balance at 1 April	15,758
(6,059)	Actuarial gains or losses on pension assets and liabilities	4,012
(1,344)	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	1,730
(1,236)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,307)
15,758	Balance at 31 March	20,193

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. We use this reserve to show the outstanding balances on mortgages that we have given in the past. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010/11 £000		2011/12 £000
(15)	Balance at 1 April	(11)
4	Transfer to the Capital Receipts Reserve upon receipt of cash	8
(11)	Balance at 31 March	(3)

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000's
(67)	Balance at 1 April	(82)
(15)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated of the year in accordance with statutory requirements	16
(82)	Balance at 31 March	(66)

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.

2010/11 £000		2011/12 £000
21	Balance at 1 April	41
(21)	Reversal of accrual made at the end of the preceding year	(41)
41	Amounts accrued at the end of the current year	91
41	Balance at 31 March	91

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11	2010/11		2011/12	2011/12
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		<i>Cash Outflows</i>		
8,217		Cash paid to and on behalf of employees	8,208	
22,316		Other operating cash costs	24,021	
7,751		Housing Benefit paid out	7,958	
5,934		Precepts paid out	5,470	
3,382		Payment to the National Housing Pool	63,267	
229	47,829	Payments to the Capital Receipts Pool	181	109,105
		<i>Cash Inflows</i>		
(9,378)		Rents (after rebates)	(10,226)	
(729)		Revenue Support Grant, Area Based Grant and Housing and Planning Delivery Grant	(1,133)	
(4,747)		Receipts from National Non Domestic Rates Pool (NNDR)	(3,305)	
(5,383)		Precepts Received	(5,403)	
(17,260)		DWP Grants for Benefits	(17,724)	
(665)		Other Government Grants	(652)	
(5,148)		Cash received for goods and services	(5,953)	
(5,184)		Other revenue income	(6,089)	
(200)	(48,694)	Council Tax income	(649)	(51,134)
	(865)	Cash movement relating to revenue activities		57,971
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		<i>Cash Outflows</i>		
6		Interest paid	4	
		<i>Cash Inflows</i>		
(157)	(151)	Interest received	(130)	(126)
	(1,016)			57,845

Net cash flow from operating activities

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
	(24,665)	Net (Deficit)/Surplus on the provision of services		(55,866)
		Add		
65		Contribution (to)/from Housing Repairs Reserve	60	
(1,311)		Contributions to reserves	(1,510)	
51		(Gain)/ Loss on sale of Assets	(191)	
49		Receipts re payment to Housing Pool	342	
(15)		Reversal of the Collection Fund Adjustment	16	
(3,667)		Net movement on pensions	(41)	
29,916		Depreciation and Amortisation of Assets	(1,228)	
192		Write down of revenue expenditure funded from capital under statute	114	
20		Accumulated Absences	50	
1,087		Reversal of Current Pension Costs in Service Accounts	464	
120	26,583	Deminimus Charges	84	(1,840)
	1,918	Add		(57,706)
225		Increase/(Decrease) in Reserves	653	
4,231		Increase/(Decrease) in Payables	(1,019)	
137		Increase/(Decrease) in Receipts in Advance	285	
(5,551)		(Increase)/Decrease in Receivables	7	
(26)		(Increase)/Decrease in Stocks and WIP	(16)	
82	(902)	(Increase)/Decrease in Prepayments	(49)	(139)
	1,016	Net cash flow from operating activities		(57,845)

26. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
3,761	Purchase of property, plant and equipment, investment property and intangible assets	2,550
571	Other payments for investing activities	343
(635)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,791)
(2,839)	Other receipts from investing activities	(2,316)
858	Net cash flows from investing activities	(1,214)

27. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
(1,000)	Cash receipts of short and long term borrowing	(56,539)
815	Other receipts from financing activities	(2,448)
(185)	Net cash flows from financing activities	(58,987)

28. 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 Best Value Accounting 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:

- Only depreciation charges are made in relation to capital expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are also 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 Authority's principal Service Boards recorded in the budget reports for the year is as follows:

Service Board Income and Expenditure 2011/12	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	(20)	(1,860)	(360)	(2,743)	(10,268)	(15,251)
Government grants	(8)	(277)	-	(18,511)	(181)	(18,977)
Total Income	(28)	(2,137)	(360)	(21,254)	(10,449)	(34,228)
Employee expenses*	225	1,839	451	1,396	1,329	5,240
Other service expenses	85	4,131	138	19,682	66,672	90,708
Support Service Recharges*	233	1,143	324	2,164	1,042	4,906
Total Expenditure	543	7,113	913	23,242	69,043	100,854
Net Expenditure	515	4,976	553	1,988	58,594	66,626

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

Service Board Income and Expenditure 2010/11 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	(8)	(1,820)	(669)	(1,028)	(11,641)	(15,166)
Government grants	(57)	(212)	(107)	(18,941)	(1,070)	(20,387)
Total Income	(65)	(2,032)	(776)	(19,969)	(12,711)	(35,553)
Employee expenses	52	647	189	(247)	472	1,113
Other service expenses	48	4,218	601	20,415	8,937	34,219
Support Service Recharges	240	1,213	446	2,223	1,394	5,516
Total Expenditure	340	6,078	1,236	22,391	10,803	40,848
Net Expenditure	275	4,046	460	2,422	(1,908)	5,295

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.

2010/11 £000		2011/12 £000
5,295	Net expenditure in the Service Board Analysis	66,626
59	Net expenditure of services and support services not included in the Analysis	-
27,843	Amounts in the Comprehensive Income and Expenditure Statement not reported to Members in the Analysis	(1,927)
33,197	Cost of Services in the Comprehensive Income and Expenditure Statement	64,699

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.

2011/12	Service Board analysis	Service and Support Service not in Analysis	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(15,251)	(125)	-	(425)	-	(15,801)
Interest and investment income	-	-	-	-	(165)	(165)
Income from council tax	-	-	-	-	(5,386)	(5,386)
Government grants and contributions	(18,977)	-	-	-	(4,495)	(23,472)
Total Income	(34,228)	(125)	-	(425)	(10,046)	(44,824)
Employee expenses	5,240	21	-	-	-	5,261
Other service expenses	90,708	96	-	253	-	91,057
Support service recharges	4,906	96	-	-	-	5,002
Depreciation, amortisation and impairment	-	(2,015)	-	(148)	-	(2,163)
Interest payments	-	-	-	-	478	478
Precepts and levies	-	-	-	-	904	904
Payments to Housing Capital Receipts Pool	-	-	-	-	342	342
Gain or loss on disposal of non current assets	-	-	-	-	(191)	(191)
Total Expenditure	100,854	(1,802)		105	1,533	100,690
Surplus or deficit on the provision of services	66,626	(1,927)		(320)	(8,513)	55,866

2010/11	Service Board analysis	Service and Support Service not in Analysis	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(15,166)	-	-	(417)	-	(15,583)
Interest and investment income	-	-	-	-	(2,678)	(2,678)
Income from council tax	-	-	-	-	(5,398)	(5,398)
Government grants and contributions	(20,387)	(231)	-	-	(5,476)	(26,094)
Total Income	(35,553)	(231)	-	(417)	(13,552)	(49,753)
Employee expenses	1,113	-	-	-	-	1,113
Other service expenses	31,544	(424)	-	483	-	31,603
Support service recharges	5,516	-	-	-	-	5,516
Depreciation, amortisation and impairment	2,675	28,498	59	359	-	31,591
Interest payments	-	-	-	-	3,607	3,607
Precepts and levies	-	-	-	-	888	888
Payments to Housing Capital Receipts Pool	-	-	-	-	49	49
Gain or loss on disposal of non current assets	-	-	-	-	51	51
Total Expenditure	40,848	28,074	59	842	4,595	74,418
Surplus or deficit on the provision of services	5,295	27,843	59	425	(8,957)	24,665

29. Trading Operations

We operate a number of 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 2011/12 the total surplus resulting from trading activities totalled £58,287.43 and the following table summarises the financial performance for each.

DSO	2010/11	2010/11	2010/11	2011/12	2011/12	2011/12
	Expend	Income	(Surplus)/ Deficit	Expend	Income	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
Building Maintenance – the DSO carries out repairs and maintenance on the council's housing stock	1,880	(2,248)	(368)	2,301	(2,253)	48
Horticulture – the DSO maintains the Council's parks, playing fields and open spaces	359	(529)	(170)	448	(495)	(47)
Refuse Collection – the DSO collects both domestic and trade refuse	824	(1,004)	(180)	983	(1,028)	(45)
Amenity Cleaning – the DSO carries out street cleaning and litter picking activities.	320	(465)	(145)	455	(469)	(14)
Totals	3,383	(4,246)	(863)	4,187	(4,245)	(58)

30. Agency Services

Warwickshire County Council provides a payroll service to the Council, involving a total payment of £8.678 million for employees and members of the council. Of this sum £1.650 million is paid to Her Majesty's Revenue and Customs and £0.459 million is paid to Warwickshire County Council pensions department. We pay a nominal charge of £1 per annum for this service.

31. 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, which covers a period of 4 years, commenced in October 2011. 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.

		2010/11 £		2011/12 £
Funding provided to the pooled budget:				
• North Warwickshire	65,130		92,905	
• Nuneaton and Bedworth	124,760	189,890	177,955	270,860
Expenditure met from the pooled budget:				
• North Warwickshire	87,891		98,573	
• Nuneaton and Bedworth	168,351	256,242	188,812	287,385
Net deficit arising on the pooled budget during the year		66,352		16,525
Authority share of 34.3% of the net deficit arising from the pooled budget		22,759		5,668

32. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2010/11 £000	2011/12 £000
Allowances	230	223
Expenses	10	10
Total	240	233

33. Officers' Remuneration

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

2011/12 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive	97,181	6,841	15,743	119,765
Deputy Chief Executive	81,601	5,921	13,219	100,741

2010/11 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive	97,181	6,841	14,869	118,891
Deputy Chief Executive (from 1 July 2010)	61,201	4,441	9,363	75,005
Director of Resources (to 30 June 2010)	21,157	1,480	3,237	25,874
Director of Community and Environment	19,150	-	2,930	22,080

The Authority'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	2010/11 staff numbers	2011/12 staff numbers
£50,000-£54,999	2	-
£55,000-£59,999	4	5
£60,000-£64,999	1	1
£65,000-£69,999	1	1
£70,000-£74,999	-	-
£75,000-£79,999	-	-
	8	7

The numbers 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 40.

Exit packages cost band	Number of Compulsory redundancies		Total cost of exit packages for compulsory redundancies by cost band	
	2010/11	2011/12	2010/11	2011/12
			£	£
£0 – £20,000	2	2	2,646	248
£20,001 - £40,000	-	1	-	32,638
£40,001 - £60,000	-	1	-	52,188
Total	2	4	2,646	85,074

34. External Audit Costs

Our appointed auditors are PricewaterhouseCoopers LLP. We pay audit fees for work undertaken on the audit of the Statement of Accounts, the certification of grant claims and returns, statutory inspections and for agreed non-audit services.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2011/12 accounts.

Type of Audit Work	2010/11 £000	2011/12 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out for the year	98	93
Fees payable in respect of statutory inspections	2	2
Fees payable for the certification of grant claims and returns for the year	44	33
Fees payable in respect of other services during the year - IFRS	3	-
Total	147	128

The fees for other services payable in 2010/11 related to specialist advice on preparatory work we had undertaken on the implementation of IFRS.

35. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

	2010/11	2011/12
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	690	1,021
Council Tax Freeze Grant	-	112
Area Based Grant	39	-
Non Domestic Rates	4,747	3,305
Local Services Support Grant	-	57
Total	5,476	4,495

	2010/11	2011/12
	£000	£000
Credited to Services		
New Burdens Habitat Directive Grant	8	-
Climate Change Grant	-	8
Business Rates Deferral Scheme	8	-
Homeless Grant	41	-
CLG – Preventing Repossessions	-	30
Concessionary Fares	87	-
West Midlands RIEP	20	-
Audit Commission – IFRS	7	7
Ministry of Justice	11	-
New Burdens – Revocation of Personal Search Fees of the Local Land Charges Register	34	-
Food Standards Agency – Scores on the Doors	1	-
Environment Agency Grant – Fillongley Flood Prevention	67	-
Lottery Funding for Local Nature Reserve	3	47
Leader Project Grant	135	84
Atherstone Shop Fronts	51	-
Stronger and Safer Communities Funding	53	22
Branching Out Bus Grant	119	-
Health and Wellbeing Challenge Fund	50	-
North Arden Trail Grant	115	-
More Time to Play Grant	15	-
Sports Club Development Officer Grant	13	28
Benefits Grant	6	30
Benefits Administration Grant	443	416
Regional Housing Pot Funding	114	-
Grant towards Free Swimming	19	-
New Burdens – Temporary increase in Small Business Rate Relief	-	3
New Homes Bonus Scheme	-	108
Council Tax and Rent Allowances Subsidy	12,177	12,272
National Non Domestic Rates Administration Grant	111	110
Housing Rent Rebates	5,086	5,453
Total	18,794	18,618

We have received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver, if they are not met. The balances at the year end are as follows:

31 March 2011 £		31 March 2012 £
	Capital Receipts in Advance (Capital Grants)	
197,862	New Build Grant HRA – balance	107,025
101,595	Play builder Grant – Play Area equipment renewal	-
299,457	Total	107,025

36. 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 Authority.

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which we operate, 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 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 35.

Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 32.

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 31.

Seven Borough Councillors were also Warwickshire County Councillors in 2011/12. During the year, we paid £1,974,890 to Warwickshire County Council for services including: pensions, land charges, trade refuse disposal, concessionary fares and leisure facilities. Income of £327,399 was received from the County Council for school swimming lessons, grass cutting and recycling activities.

Two Borough Councillors were also on Atherstone Town Council in 2011/12. Income of £35,651 was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town and for some grounds maintenance work

During the year a payment of £75,036 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 Members recorded an interest in the Register of Members Interest, which is open to public inspection at the Council Offices during office hours.

37. Capital Expenditure and Capital Financing

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

Capital Expenditure and Financing		
	2010/11 £ 000	2011/12 £ 000
<i>Capital Investment</i>		
Property, Plant and Equipment	3,889	2,195
Intangible Assets	29	7
Revenue Expenditure Funded from Capital Under Statute	639	482
Total Expenditure	4,557	2,684
<i>Sources of Finance</i>		
Capital receipts	(257)	(139)
Supported borrowing	(400)	-
Government grants and other contributions	(1,666)	(656)
Revenue Contribution to Capital	(192)	(114)
Earmarked Capital Reserve	(148)	(33)
Major Repairs Reserve	(675)	(1,192)
Capital payables	(295)	(451)
Prudential Borrowing	(924)	(99)
Total Financing	(4,557)	(2,684)

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

	2010/11 £ 000	2011/12 £ 000
Long Term Assets	128,888	121,305
Revaluation Reserve (*)	(5,326)	(5,340)
Capital Adjustment Account	(112,551)	(45,120)
Capital Financing Requirement	11,101	70,845

38. Leases

Authority as Lessee

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 2011 £000		31 March 2012 £000
191	Property, Plant, and Equipment	180

The Authority 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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2011 £000		31 March 2012 £000
136	Finance lease liabilities (net present value of minimum lease payments):	127
8	• Current	12
47	• Non current	41
47	Finance costs payable in future years	41
191	Minimum lease payments	180

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

	Minimum lease payments		Finance lease payments	
	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Not later than one year	11	11	16	15
Later than one year and not later than five years	45	45	56	53
Later than five years	135	124	111	101
Total	191	180	183	169

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 2011/12, no contingent rents were payable by the Authority (none in 2010/11).

Operating Leases

We use operating leases as a way of financing some vehicles and equipment. The plant and vehicle leases relate to staff cars, commercial vehicles, mowers and photocopiers, most of which the authority 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 2011 £000		31 March 2012 £000
31	Not later than one year	68
707	Later than one year and not later than five years	520
32	Later than five years	27
770	Total	615

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 authority 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 2011 £000		31 March 2012 £000
101	Minimum lease payments	101
(39)	Contingent rents	(44)
	(Sublease payments receivable)	
62	Total	57

Authority as Lessor

Finance Leases

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

Operating Leases

The Authority 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 2011 £000		31 March 2012 £000
225	Not later than one year	266
13	Later than one year and not later than five years	13
152	Later than five years	152
390	Total	431

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 2011/12, £102,990 contingent rents were receivable by the Authority (£95,395 in 2010/11).

39. 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 11 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During the year 4 new build houses were completed at a cost of £0.485 million. These were subsequently revalued to £0.231 million by adopting the Existing Use Value for Social Housing of 34%, which is set by government guidance. Other impairments that took place within the year relate to the de-recognition of the building sites which were converted into the new houses at a cost of £0.11 million.

As part of the 2010/11 statement of accounts the authority recognised a loss of £29.502 million in relation to the Existing Use Value of council housing. Although total house prices within the Borough fell by 7.29%, there were £1.125 million of increases which have been used to reverse part of this impairment.

40. Termination Benefits

The Authority terminated the contracts of four employees in 2011/12, incurring liabilities of £85,074 (£2,647 in 2010/11). Payments were made to 2 leisure staff, a member of the Policy Support section and a member of the Housing Management Section, who were made redundant as part of the Authority's rationalisation of these services. These are disclosed further in note 33.

41. 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 be actually 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 final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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:

	2010/11 £000	2011/12 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• Current service cost	(1,319)	(1,266)
• <i>Past Service Cost and Curtailments</i>	3,750	-
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	(3,594)	(3,284)
• Expected return on scheme assets	2,507	2,820
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	1,344	(1,730)
<i>Other post employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• Actuarial gains and losses	(6,059)	4,012
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>		
<i>Movement in Reserves Statement</i>		
• Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	(1,344)	1,730
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers contributions payable to scheme	1,236	1,307
Retirement benefits payable to pensioners	(1,906)	(2,239)

The cumulative amount of actuarial gains and losses recognised in other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was a loss of £20,193,000 at 31 March 2012 and a loss of £15,758,000 at 31 March 2011.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities	
	2010/11 £000	2011/12 £000
Opening balance at 1 April	64,243	59,701
Current service cost	1,319	1,266
Interest Cost	3,594	3,284
Contributions by scheme participants	463	456
Actuarial (gains) and losses	(4,262)	2,139
Benefits paid	(1,906)	(2,239)
Past service costs	(3,752)	-
Curtailments	2	-
Closing balance at 31 March	59,701	64,607

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

	Funded Assets	
	2010/11 £000	2011/12 £000
Opening balance at 1 April	39,846	43,943
Expected rate of return *	2,507	2,820
Actuarial gains and (losses)	1,797	(1,873)
Contributions by scheme participants	463	456
Employer contributions	1,236	1,307
Benefits/transfers paid	(1,906)	(2,239)
Closing balance at 31 March	43,943	44,414

* The expected rate of return received from the actuary for 2011/12 was reduced by £259,000 as this had already been accounted for in 2010/11.

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 £1.161 million (£2.918 million in 2010/11).

Scheme History

	31 March 2008 £000	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000	31 March 2012 £000
Present value of liabilities in scheme	(55,217)	(47,198)	(64,243)	(59,701)	(64,607)
Fair value of assets in scheme	38,360	30,930	39,846	43,943	44,414
Surplus / (Deficit) in the scheme	(16,857)	(16,268)	(24,397)	(15,758)	(20,193)

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £20.193 million has a substantial impact on the net worth of the Authority 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 Authority 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 2011/12 the Council actually paid an employer's contribution of £1,134,581 representing 16.71% (15.83% in 2010/11) 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 £9,384 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 2011/12 these amounted to £141,346 representing 2.08% of pensionable pay (in 2010/11 the Council made payments totalling £142,411 representing 2.08% of pensionable pay). In 2012/13 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,177,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant 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 2012. These figures do not include any limits imposed by IFRIC interpretation 14 IAS 19.

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

	2010/11	2010/11	2011/12	2011/12
	Beginning of period	End of Period	Beginning of period	End of Period
Long term expected rate of return on assets in the scheme				
Equity investments	7.5%	7.5%	7.5%	6.3%
Government Bonds	4.5%	4.4%	4.9%	3.9%
Other Bonds	5.2%	5.1%	-	-
Property	6.5%	6.5%	6.5%	4.4%
Cash/Liquidity	0.5%	0.5%	0.5%	3.5%
Other	7.5%	7.5%	-	-
Expenses Deducted (p.a.)	0.41%	0.41%	0.41%	0.60%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.2	22.0	22.0	21.9
Women	24.1	23.7	23.7	23.6
Longevity at 65 for future pensioners:				
Men	22.2	22.9	22.9	22.8
Women	25.0	26.0	26.0	25.9
Rate of Inflation (RPI)	3.3%	3.4%	-	-
Rate of Inflation (CPI)	2.8%	2.9%	2.9%	2.5%
Rate of Increase in salaries	5.05%	4.9%	4.9%	4.8%
Rate of increase in pensions	3.3%	2.9%	2.9%	2.5%
Rate of discounting scheme liabilities	5.6%	5.5%	5.5%	4.8%
Take up option to convert annual pension into retirement lump sum	50%	50%	50%	50%

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

	2010/11	2010/11	2011/12	2011/12
	Beginning of period	End of Period	Beginning of period	End of Period
Equity Investments	67.0%	66.0%	71.0%	71.0%
Bonds (*)	22.0%	18.0%	18.0%	19.0%
Property	4.0%	10.0%	10.0%	10.0%
Cash/Liquidity	2.0%	1.0%	1.0%	0.0%
Other	5.0%	5.0%	-	-
Total	100.0%	100.0%	100.0%	100.0%

(*) Government Bonds and other Bonds have been amalgamated into on line.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	31 March 2008	31 March 2009	31 March 2010	31 March 2011	31 March 2012
Differences between the expected and actual return on assets	(8.3%)	(32.8%)	19.51%	4.6%	(4.2%)
Experience gains and losses on liabilities	0.6%	-	-	6.5%	(0.8%)

42. Nature and Extent of Risks arising from Financial Instruments

The Authority'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 Authority.
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority'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. The council complies with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management on Public Services and Investment Guidance issued through the Local Government Act 2003. Risk is managed in the following ways:

- By formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- By the adoption of a Treasury Management Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- By approving annually in advance prudential and treasury indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposure to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid year update.

These policies are implemented by the Financial Services team. The council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – TMP's) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMP's are a requirement of the Code of Practice and are reviewed periodically.

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

This risk is managed 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. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they are rated independently. The maximum amount which could be lent to any individual bank or banking group is 30% of our total investments. The amount and period of investment will then be reduced on a sliding scale according to the credit risk.

In addition to reviewing current credit ratings, credit watches and credit outlooks from credit rating agencies are also used, along with CDS spreads to give early warning of likely changes in credit ratings.

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 Authority'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 Authority's deposits, but there was no evidence at the 31 March 2012 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 £239,259 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £	31 March 2012 £
Less than three months	94,319	134,806
Between three and six months	14,604	9,052
Between six months and one year	56,399	46,447
More than one year	13,985	48,954
TOTAL	179,307	239,259

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 2012 was £33,115.

➤ *Liquidity Risk*

The authority has a cash flow management system that seeks to ensure that cash is available as needed. We have some investments which can be readily converted into cash for day to day cash flow. If unexpected movements happen, the authority has ready access to borrowings from the money market and Public Works Loan Board. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that we will be unable to raise finance to meet our commitments under financial instruments.

The Housing Revenue Account currently has long term external borrowing of £59.539 million relating to the Self Financing settlement payment made on 28 March 2012. No other external borrowing is held, as we have chosen to make use of the reserves we hold, and finance other borrowing internally. Given the access to the money market and Public Works Loans Board, the risk is that the authority will be required to take out / replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To reduce the risk, we have set limits on the proportion of fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows:

	31 March 2011 £000	31 March 2012 £000
Less than one year	-	-
Between one years and two years	-	750
Between two and five years	-	5,250
Between five and ten years	-	9,300
Between ten and fifteen years	-	12,010
Between fifteen and twenty years	-	18,280
More than twenty years	-	13,949
Total	-	59,539

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 2012 were held with banks and building societies. At 31 March 2012 the Council had short-term investments of £3.030 million.

	31 March 2011 £000	31 March 2012 £000	Change in year £000
Short Term Investments	5,079	3,030	(2,049)
Total	5,079	3,030	(2,049)

➤ *Market Risk*

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall.
- 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.

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 Authority 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. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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.

North Warwickshire Borough Council

Housing Revenue Account Income and Expenditure Statement

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

Actual 2010/11 £000	Actual 2010/11 £000		Actual 2011/12 £000	Actual 2011/12 £000	Note
2,032		EXPENDITURE			
		Repairs and Maintenance	2,517		5
816		Supervision and Management			
300		- General	1,069		
7		- Special Services	419		
3,382		Rents, Rates, Taxes and Other Charges	-		
32		Payment to Communities and Local Govt	3,728		10
30,166		Allowance for Bad Debts	70		12
-		Depreciation and Impairment	(467)		8 and 9
		Housing Self Financing Settlement payment	59,539		
	36,735	TOTAL EXPENDITURE		66,875	
		INCOME			
(8,932)		Gross Rent Income from Dwellings	(9,754)		13
(311)		Rent Income from non-dwellings	(311)		
(136)		Charges for Services and Facilities	(161)		
(1,028)		Grant for New Build	(150)		
	(10,407)	TOTAL INCOME		(10,376)	
	26,328	Net Cost of HRA Service as included in the Comprehensive Income and Expenditure Statement		56,499	
	32	HRA service share of Corporate and Democratic Core		33	
	26,360	Net cost for HRA Services		56,532	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	59	(Gain) or loss on sale of HRA non-current assets		(223)	
	14	Interest payable and similar charges		56	
	(36)	Interest and Investment Income		(81)	15
	(38)	Surplus or Deficit on Revaluation of Property, Plant and Equipment		9,006	
	26,359	(Surplus) or Deficit for the year on HRA Services		65,290	

North Warwickshire Borough Council

Movement on the Housing Revenue Account Statement

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

2010/11 £000		2011/12 £000
(670)	Balance on the HRA at the end of the previous year	(850)
26,359 (26,424)	(Surplus)/ deficit for the year on the HRA Income and Expenditure Statement Adjustments between accounting basis and funding basis under statute	65,290 (65,851)
(65)	Net (Increase) or decrease before transfers to or from reserves	(561)
(115)	Transfers to or (from) reserves	735
(180)	(Increase) of decrease in year on the HRA	174
(850)	Balance on the HRA at the end of the current year	(676)

Adjustments between accounting basis and funding basis under statute:

2010/11 £000		2011/12 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
(28,569)	Reversal of Impairment losses and revaluations	(6,931)	9
(59)	Gain or (Loss) on sale of HRA Property, Plant and Equipment	223	
830	Net charges made for retirement benefits in accordance with IAS 26	9	11
(6)	Reduction/(Increase) in accrual for employee benefits	(2)	
1,028	Reversal of grant for new build	150	
(26,776)	Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year	(6,551)	
30	Amortised Premiums and Discounts	29	14
30	Transfer to/(from) Capital Adjustment Account	(59,468)	14/15
172	Transfer to/(from) Major Repairs Reserve	139	4
120	Capital expenditure funded by the HRA	-	6
(26,424)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(65,851)	

Transfers to or from reserves

2010/11 £000		2011/12 £000	Note
(65)	Transfer to/(from) the Housing Repairs Reserve	(59)	5

North Warwickshire Borough Council

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2012

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 2,741 dwellings during 2011/12, consisting of the following:

2010/11		2011/12
1,478	Houses	1,479
674	Flats	669
591	Bungalows	591
2,743	Total at 31 March 2012	2,739
	The change in stock was as follows: -	
2,722	Stock at 1st April	2,743
(1)	less Sales	(8)
1	Repurchase	-
21	New Build	4
2,743	Stock at 31 March 2012	2,739

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £101.80 million as at 31 March 2012. 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 2011 £000	Asset Type	Balance as at 31 March 2012 £000
34,867	Land	31,445
70,941	Council Dwellings	66,648
1	Plant and Vehicles	13
3,782	Other Property	3,696
109,591	Total	101,802
70,941	Operational Assets – Dwellings	66,648
33,630	- Land	30,441
3,419	- Other Buildings	3,636
1	- Plant and Vehicles	13
1,600	Non-operational Assets	1,064
109,591	Total	101,802

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 £284.535 million. This is different to the gross book value of the assets included within the balance sheet of £96.742 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

We receive a Major Repairs Allowance from the Government to be used for capital spending on HRA assets. This allowance is held within a Major Repairs Reserve and the movement in the year is detailed below.

2010/11 £000		2011/12 £000
(1)	Balance as at 1 April	(1,057)
(1,559)	Transfer into Reserve – Depreciation	(1,610)
(172)	Transfer into Reserve – Appropriation	(139)
675	To finance Capital Expenditure– Houses	1,192
(1,057)	Balance as at 31 March	(1,614)

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:

2010/11 £000		2011/12 £000
176	Balance brought forward	111
2,466	Contributions from HRA	2,463
(2,531)	Use of Fund	(2,522)
111	Balance as at 31 March	52

6. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2011/12, spent £1,712,169 (£3,230,277 in 2010/11). This expenditure was used to fund work on council houses of £1,448,333 (£3,075,606 in 2010/11), garages of £37,410, the completion of the new house building project of £156,626 and community centres of £69,800 (£154,671 in 2010/11). Capital spending during the year has been paid for from a number of sources and these are shown below :-

2010/11 £'000	Source of Funding	2011/12 £'000
(400)	Supported Borrowing	-
(675)	Major Repairs Reserve	(1,192)
(120)	Revenue contributions to capital expenditure	-
(1,028)	Grants and Contributions	(149)
(924)	Prudential Borrowing	-
(83)	Capital Payables	(371)
(3,230)	Total	(1,712)

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 2011/12 capital income of £461,500 was received from the sale of 8 council houses (£64,000 for 1 house in 2010/11), £70,000 from the sale of land at Jean Street, Baddesley Ensor and £130,000 from the sale of land at Rectory Road Arley to Warwickshire Primary Care Trust (50,000 from the sale of 12 Meadow Street Atherstone and £520,984 from the sale of land at Rectory Road Arley to Lovells and Midland Heart Housing Association in 2010/11).

8. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2011/12 the amount of depreciation charged is as follows.

2010/11 Operational assets £000		2011/12 Operational assets £000
1,481	Council Dwellings	1,426
78	Other Property	184
-	Vehicles	2
1,559	Total	1,612

9. Impairment charges

The value of the four new build houses completed in the year had to be reduced to 34% of the full build cost, to reflect its use for social housing. The impact of this is a reduction in the value of the houses of £0.253 million (during the year the Value of the housing stock had to be reduced from 49% to 34% of the full market value. The impact of this is a reduction in the value of the housing stock of £28.32 million including the 21 properties that were built during the year in 2010/11). There has also been a reduction of £0.110 million (£0.490 million in 2010/11) in the valuation of building sites which have now been converted into new houses, (a reduction of £0.14 million in the valuation of Community Centres in 2010/11).

10. Housing Revenue Account Subsidy/Payment to the CLG

Housing Subsidy is calculated using a “model” of our Housing Revenue Account. Figures used in the model are based on annual assumptions made by the government on various items of income and expenditure, which make up our landlord functions. We receive income if there is a notional deficit on the model account, or are required to make a payment to the National Housing Rent Pool if there is a notional surplus on the model account.

The calculation for the model is shown below:

2010/11 £000		2011/12 £000
4,027	Management and Maintenance	3,989
1,732	Major Repairs Allowance	1,749
89	Loan Charges	95
(9,226)	Rent Income	(9,586)
(3,378)	Subsidy Receivable/(Payment to the CLG)	(3,753)

NB. The figures shown in the HRA for 2011/12 (pages 4 and 56), included adjustments relating to prior years, as well as payments relating to the year. The figures above relate to the year specified only.

11. Pensions

The 2004 Code of Practice requires that retirement benefits within the HRA be accounted for in a similar way to that shown within the Consolidated Income and Expenditure Statement. Due to a lack of consensus, the latest guidance (provided in 2003/04) gave several alternative accounting treatments and left it to each authority 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 £9,470 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

12. Rent Arrears

At 31 March 2012 the total rent in arrears was £190,674, which represents 1.95% of collectable rent income (1.36% in 2010/11). The rent arrears figures are detailed below: -

2010/11 £000		2011/12 £000
	Arrears at 31st March: -	
74	Present Tenants	123
48	Former Tenants	68
122	TOTAL ARREARS	191

The allowance for bad debts at 31 March 2012 was £128,372 (£70,544 at 31 March 2011). No debts were written off during the year (£38,354 written off in 2010/11).

13. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 0.51% of lettable properties were vacant (0.72% in 2010/11). Average rents were £74.58 a week in 2011/12 (excluding service charges) on a 48 week basis, an increase of £5.75 or 8.36% over the previous year.

14. Charges for Borrowing

In accordance with the Local Government and Housing Act 1989, the Housing Revenue Account pays interest charges on its outstanding debt based on average external rates of interest paid by the Council as a whole. The HRA paid interest charges of £35,409. In addition to making a Housing Self Financing settlement payment, having taken on long term debt of £59.539 million, the Housing Revenue Account paid £20,839 relating to 4 days of interest payable on the debt.

Our external debt covers both General Fund and HRA activities, and a notional split is made to reflect this. Over the years we have either rescheduled existing debt, or repaid debt, earlier than the due date. The HRA is liable to pay a proportion of any premium that relates to this, over what would have been the life of the original loans. The HRA paid £29,539 towards outstanding premiums in 2011/12, and received discounts of £505. This leaves outstanding premiums of £58,997 to be paid in future years, with discounts of £1,009 due to be received in future years. This balance is reflected on the balance sheet as part of the Financial Instruments Adjustment Account.

15. Investment Income

We receive income from investments we hold during the year. The HRA contributes funds to these investments and receives a share of the income based upon the level of reserves held that relate to the HRA. For 2011/12 this amounted to £10,166 (£6,289.36 in 2010/11).

Revaluation of shops classed as investment properties during the year showed an increase in the property valuations of £70,650 (£30,500 in 2010/11), which is 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 statute in order to arrive at the Housing Revenue Account balance at the end of the year.

North Warwickshire Borough Council
The Collection Fund - Income and Expenditure Statement for the Year
Ended 31 March 2012

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

2010/11 £000		2011/12 £000	2011/12 £000
	INCOME		
29,405	Income from Council Tax (net of benefits and transitional relief)	29,580	
4,651	Transfers from the General Fund	4,578	
(1)	Council Tax Benefits	(1)	34,157
34,055	Transitional Relief		
32,658	Income Collectable from Business Ratepayers		40,141
66,713			74,298
	EXPENDITURE		
24,511	Precepts and Demands :-	24,661	
3,694	Warwickshire County Council	3,716	
5,331	Warwickshire Police Authority	5,330	33,707
33,536	North Warwickshire Borough		
244	Distribution of Surpluses :-	335	
37	Warwickshire County Council	51	
53	Warwickshire Police Authority	73	459
334	North Warwickshire Borough		
32,547	Business Rate :-	40,031	
111	Payment to National Pool	110	40,141
32,658	Cost of collection		
54	Bad and doubtful debts/appeals :-		42
35	Arrears Written Off		48
96	Provision for un-collectable amounts		(99)
	Increase/(Decrease) in Fund Balance		
66,713			74,298
421	Balance at 1 April		517
96	SURPLUS/(DEFICIT) FOR THE YEAR		(99)
517	Balance at 31 March 2012		418

Precepts and Demands on the Collection Fund

2010/11 Total	Authority	Precept /Demand	Share of 31 March 2012 Surplus	2011/12 Total
£000		£000	£000	£000
24,888	Warwickshire County Council	24,661	306	24,967
3,751	Warwickshire Police Authority	3,716	46	3,762
5,414	North Warwickshire Borough Council	5,330	66	5,396
34,053	Total	33,707	418	34,125

Notes to the Collection Fund for the year ended 31 March 2012

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 2011/12 the base was calculated as follows: -

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	5,473.00	6/9	3,646.56
B	6,078.75	7/9	4,727.92
C	5,264.00	8/9	4,679.11
D	3,407.50	9/9	3,407.50
E	2,005.00	11/9	2,450.56
F	1,099.50	13/9	1,588.17
G	630.75	15/9	1,051.25
H	60.50	18/9	121.00
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			21,672.07 (325.12)
COUNCIL TAX BASE 2011/12			21,346.95

On the basis of an average £1,536.65 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £32.803 million (£1,536.65 x 21,346.95). The actual income received, including benefits, 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. The money collected is paid into a Non-Domestic Rate Pool managed by Central Government. The money is then re-distributed to local authorities based upon a standard amount per head of the local adult population.

The rates to be collected can change during the year as the circumstances of individual businesses alter. Unless significant, all changes which occurred after 21 March 2012 are accounted for in the following year, to allow the system to be rolled forward and future bills prepared. We were notified of increases of £1,650 after the 21 March 2012, due to changes to the valuations of properties, which will be included within the 2012/13 accounts.

The total non-domestic rateable value at the year-end was £99,740,005 (£98,623,475 in 2010/11). The national non-domestic rate for small businesses was 42.6 pence (40.7 pence in 2010/11) and the rate for other businesses was 43.3 pence (41.4 pence in 2010/11).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require being prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Best Value Accounting code of Practice 2011/12, supported by International Financial Reporting standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Authority'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 authority 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.

All of the accounting policies have been consistently applied except for the introduction of FRS 7 Heritage Assets.

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 Authority'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 property, plant and equipment 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 which is known as the Minimum Revenue Provision. The provision is calculated in accordance with statutory guidance, and the amount we generally set aside for the repayment of borrowing for General Fund services is based on a minimum figure of 4% of the borrowing requirement at the beginning of the financial year. In 2011/12, we reviewed some additional provision we had made in prior years, and as this exceeded the sum calculated for 2011/12, reduced the amount set aside in the year to zero.

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.

The rules for how much we must set aside for the Housing Revenue Account (HRA) are different, and are set out by the Government. There is currently no requirement to charge MRP in respect of housing.

The exception to the above is any new prudential borrowing we choose to take out to finance capital spending. This is charged over the estimated life of the assets the loan has paid for, and is applied to borrowing for both the General Fund and Housing Revenue Account.

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 Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes 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 Authority to terminate an officer's employment before the normal retirement date, or, another officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer, or groups of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority 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 Authority.

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

- The liabilities of the Warwickshire Pension Fund attributable to the Authority 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 4.8% 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 Authority 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 rate of return on assets – the annual investment return on the fund assets attributable to the Authority, 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 Authority 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 Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the 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 Authority 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 period and the date when the Statement of Accounts is adjusted to reflect such events. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts 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 Authority's financial performance.

8. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value 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 Authority 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 Authority 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 Authority 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

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority 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.

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 Authority when there is reasonable assurance that:

- The Authority 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.

Area Based Grant (ABG) was a general grant allocated by central government directly to local authorities as additional revenue funding. ABG was non-ring fenced and was credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. Currently Local Services Support Grant is received as a general grant.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Intangible assets are included on the balance sheet initially at historical costs. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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 dependant on the use of specific assets.

The Authority as a Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the

lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority 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 Authority as a Lessor

Operating Leases

Where the Authority 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 2011/12 (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 Authority'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 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 Authority 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 Authority). 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 Authority.

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. Community assets are not depreciated as they relate to land.
- **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 from the reversal of a loss previously charged to a service).

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

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

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, 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 certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

- Infrastructure – straight line allocation over the useful life of the asset, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This has only been applied to enhancement and acquisition expenditure incurred from 1 April 2010 and to revaluations carried out from that date, in line with the requirements of the Code of Practice.

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income above £10,000 received from the sale of assets is treated as a capital receipt. In general terms we have to pay 75% of Council House sales and 50% of other housing receipts over to the Communities and Local Government. 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 Authority a legal or constructive obligation that probably required settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount required. For instance, the Authority 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 authority 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 is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.

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 Authority – these reserves are explained in the Movement in Reserves Statement on page 9 and notes 7 and 24 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. 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 Authority'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).

Subject to change

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

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 an authority'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. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area.
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.

PAYABLES	Amounts owed by the authority for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.
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.
RECEIVABLES	Sums of money due to the authority but unpaid at the date of the balance sheet.
DEFERRED CAPITAL RECEIPTS	Income, which the Council is due to receive in future years from Council houses, which have been sold under a mortgage.
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 authority 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	Assets that are use 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 authority.
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.
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)
PRECEPT	The amount each authority in the area asks us to collect from council tax on their behalf each year.
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

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, 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 regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Council has also reviewed the CIPFA 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 purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risks at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The 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 statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

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. Full consultation is carried out with stakeholders, as part of the annual review. 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. During the year progress against these 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. The Council also has comprehensive forecasting and budgeting procedures. Periodic and annual review 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 acceptable 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 2011/12, the Council has used Lean System reviews to re-examine the provision of a number of service areas in Housing, Streetscape, Revenues and Benefits and Leisure Services. However this does not prevent the Council from looking for efficiencies on an ongoing basis. A pilot scheme for Disabled Facility Grants was run during the year, in conjunction with other partners, to assess the efficiencies which could be gained from joint working. This worked well and will be explored further in the coming year.

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. The Plan was updated during 2011/12.

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.

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 and by Members by the Standards Committee (Member arrangements will change in 2012/13).

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. Members have been involved in identifying the main risks the Council faces. The system also involves an annual review of risks in their areas by senior managers, with some checking carried out throughout the year by the Internal Audit section.

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. 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 Experion, feedback received through Gov Metric and 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. The use of Portfolio Groups has been reviewed, along with how they have worked in practice. As a result some amendments have been made to the Constitution which reduce the number of Portfolios, set up Housing and Safer Communities Sub Committees, change the reporting requirements on Human Resources to Special Sub Group and transfer the responsibility for three portfolio areas to the Vice Chairs of Community and Environment and Resources Boards. Members have also chosen to continue with the Member advisory sub-committee to assist in the development of the Local Development Framework. In addition to the above, some other work has been undertaken by the Council's statutory officers, leading to a revision of Risk Management Strategy and the Treasury Management Strategy.

Scrutiny arrangements have also been reviewed, and processes were updated. A decision was taken to continue with the use of task and finish groups to look at a number of key issues, where this was appropriate. During the year, a number of areas were examined: the use and retention of the Council's industrial premises, recycling arrangements, dog warden service and community involvement.

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. The section continued to coordinate work under the National Fraud Initiative, ensuring that all areas are followed up. Specialist counter-fraud consultants and external IT auditors have been used to supplement the work carried out by the section, enabling greater assurance to be placed on the results.

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, PricewaterhouseCoopers LLP, 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, PricewaterhouseCoopers LLP, CEAC, 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 improve the Council's governance arrangements, including:

- Review of the Payments Management system and subsequent approval to replace the Payments Management Application to ensure PCI DSS compliance is achieved as required in 2012
- ICT disaster recovery arrangements were tested successfully in January 2012.
- Regular inspections of vulnerable sites are undertaken by Leisure Facility and Facilities Management staff
- An independent annual safety inspection continues to be undertaken on all sites and an improved quarterly inspection regime has been introduced (including for a number of parish council play spaces)
- The provisions of the Section 11 Audit Action Plan are being implemented and progress is reported to Extended Management Team. Child Protection training continues to be delivered to relevant staff throughout the Authority
- The driver's handbook was revised and reissued to coincide with driver training

- The computerised risk assessment system for Health and Safety risks has been rolled out
- Work has been carried out on the move to self financing for the HRA, including as assessment of borrowing options and an update of the 30 year business plan.
- Service managers were supported in the management of sickness absence, to ensure that it is managed consistently and effectively.
- Planning procedures were updated to align with new legislation and case law.
- The Building Control partnership was reviewed by the Steering Group.
- There was regular testing of out of hours and emergency procedures.
- Response rates to complaints and Freedom of Information requests were monitored.
- Value for Money in housing management and maintenance was assessed through the House Mark benchmarking club.
- A review of the delivery of Disabled Facility Grants has enabled service improvements which are providing better performance and resilience.

Further actions will be taken in 2012/13, including:

- Work to minimise the ICT and Telephony risks which will arise during the Accommodation Project.
- Seek approval for updated Contract Standing Orders and ensure relevant staff are briefed.
- To undertake a corporate audit of risk assessments using the HARRIET system.
- To review and update the Treasury Management Strategy and Treasury Management Practices, in light of the authorities changing needs following the implementation of Self Financing for the HRA.
- Ensuring that any changes to planning fees are properly introduced.
- On conclusion of the systems thinking review of Grounds Maintenance, determine how best to resource the Landscape Management section, including the need to effectively manage the Borough Council's tree stock.
- Review Borough Care and Community Support to improve the service and address resilience issues.
- Pre-implementation planning and financial modelling for Council Tax localisation and retention of business rates to reduce the risks associated with proposed changes in legislation.
- Continuation of the project management approach on the capital scheme of works for the Council House, in order to minimise risks.

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 and Chief Executive
On behalf of North Warwickshire Borough Council

Agenda Item No 8

Executive Board

11 September 2012

Corporate Plan 2013/14

Key Corporate Issues

Report of the Chief Executive

1 Summary

- 1.1 The purpose of this report is to draw Members' attention to the key Corporate issues facing the Council in the next 18 months. It seeks Members' agreement to addressing these issues during the formulation of the 2013/14 Budget and Corporate Plan.

Recommendation to the Council

That the issues raised in this report are the main areas which should be considered for inclusion in the 2013/14 Corporate Plan.

2 Consultation

- 2.1 The issues raised in this report were discussed with Members at the Annual Presentations to political groups in July.

3 Introduction

- 3.1 Members have been requested, in a separate report on this agenda, to agree the 2013/14 Financial Strategy. This report sets out the key issues facing the Council. Members are requested to give consideration as to whether these are the main areas which should be considered for inclusion in the 2013/14 Corporate Plan.

4 Government Agenda and other External Issues

- 4.1 For the last few years, the key issues which have most significantly affected the direction of the Council have been the economy and the number of policy and legislative changes introduced and proposed by government and the potential impact of both on the Council's finances. There is still a lot of uncertainty about and the impact of the recession continues to bite locally. There has been local progress on the jobs front, however, including Ocado due to open shortly, further developments in the pipeline on Birch Coppice, MIRA achieving Enterprise Zone status, BMW getting two new engine contracts and

also modernising their existing engine production line and change of ownership at The Belfry.

4.2 The Council's financial position, taking account of key factors including actual and proposed legislative change is dealt with in the Financial Strategy report.

4.3 There are many national policy issues impacting on the Council. I have tried to pick out the most significant ones in the report, but the picture is changing very quickly.

4.4 Health

4.4.1 Local government now has a direct responsibility for public health and it is being recognised that this is not just about Counties, as District Councils also have a huge role. There is a lot of work happening currently around setting up the Health & Wellbeing Board and also, locally, the forming of the Clinical Commissioning Groups, made up of Doctors' practices. It now looks like there will be a single Group for North Warwickshire and Nuneaton & Bedworth, although negotiations are still taking place. We are trying to build up relationships with the new Clinical Commissioning Groups with a view to working with them to improve public health and also in terms of unlocking financial resources.

4.4.2 There is a danger that we think of 'health' as something that the NHS does, but the reality is that our public health role is massive, ranging from food inspections, sewers and drainage, controlling alcohol through licensing and housing, through to the work that we do in Leisure & Community Development around obesity, parks, open spaces and leisure centres and, not forgetting, keeping health bills down through Disabled Facilities Grants and Borough Care.

4.4.3 There is also a significant amount of discussion going into Health Scrutiny at the moment, which is key to ensuring that there is every opportunity to influence how local services are delivered.

4.4.4 The role of local government, particularly in terms of Scrutiny and the Health Improvement Agenda, is evolving but we need to ensure that our voice is heard.

4.5 Policing

4.5.1 In terms of Policing, a lot will depend on what emerges after the election of the Police and Crime Commissioners in November. The County Police and Crime Panel is close to being set up. As I said last year, we will need to see what impact this has on the visibility of North Warwickshire (which is seen as a low crime area) and the local Community Safety Partnership, particularly in terms of funding. Work

is currently well underway to ensure that candidates are briefed on the key issues facing the Borough.

4.6 Planning

4.6.1 In terms of the Planning agenda, there has been a lot of separate training and reports on changes in legislation which are being implemented by the Planning & Development Board. We are moving forward with the Core Strategy, which is a hugely important policy document for the Borough.

4.6.2 There is a national push for growth to boost the economy and North Warwickshire is doing more than its fair share, as I mentioned earlier. The flip side of this is that HS2 is seen as part of that agenda and, as we all know, that is an issue of major concern for many people in the Borough and, unless there is a complete climb-down, it is likely to be so for many years to come.

4.7 Open Public Services White Paper

4.7.1 This document is aimed at providing choice and diversity in the delivery of public services, including devolving the delivery of those services to a lower level than District Councils and encouraging Councils to review how it commissions its services and subject them to competition. The final form of any legislation is awaited. However, the government has implemented the Right to Challenge. This allows Parish Councils and 'Community Groups' to express an interest in the delivery of services which, subject to certain exceptions, would trigger a procurement exercise in respect of that service. That procurement exercise is not, however, limited to Parish Councils or Community Groups. It is worth commenting in relation to this and the next section, however, that we are constantly looking at the best options for delivering services, including sharing where there is a good business case.

4.7.2 There is a danger that, if local authorities are forced into devolving or contracting out services at a time when finances are tight and when Councils may be looking at service levels on an ongoing basis, then Members will, to a greater or lesser extent, lose control of that agenda.

4.7.3 As the legislation clarifies on this, we will need to work out how we can use it in a way that does not disadvantage local people or take away Members' rights to decide policy.

4.8 Assets of Community Value

4.8.1 We will have to maintain a list of land and buildings of community value (whether in public or private hands). If these are to be sold, we must give notice to community groups who will be given a period of time to bid for the buildings, although there is no requirement for the bids to be accepted. Legislation is still in draft form and the impact on the

Council (which could be significant) will be reported when the position is clearer.

4.9 Demography

4.9.1 In terms of demography, I have been reporting for many years that we would have to take account of the fact that our population is getting older and that this was likely to have a significant impact on services. According to the first results of the 2011 Census, we now have 4,500 residents in the 60-64 age range, compared with 3,258 in 2001. This compares with a drop in the number of residents in the 30-34 age category; from 4,758 in 2001 to 3,200 in 2011. This is clearly a national issue because the biggest threat to local government generally is seen as being the financial impact of paying for adult social care into the future. Locally, the fact that such a high percentage of our population are pensioners is starting to have a major impact on decision making.

4.9.2 Perhaps the best example is the fact that current government proposals are for pensioners to be protected in developing localised Council Tax Benefit schemes to start in April next year. With nearly 62% of the Borough's Benefit customers being pensioners, this is a major difference between us and many other Councils where the percentage is not as high.

4.9.3 Another example of where the Council will need to take account of the needs of an ageing population is in the impending Borough Care review.

4.9.4 As I said last year, however, demography is not just about the old and ageing, there is an impact on young people who may be finding it difficult to get jobs at a time when Benefit Reform is adversely impacting upon them.

4.10 Climate Change

4.10.1 I reported last year some of the things that we have done in relation to housing, energy usage, recycling, etc. Despite the current economic climate, it is important that we continue with these initiatives, although we will also need to be very clear about the business case for them. The Council last year obtained funding via Sustainability West Midlands for some specialist help in looking at what action the Council could take to reduce its spend on energy use. The draft Plan will be considered by Members shortly.

- 4.11 Partnerships
- 4.11.1 *Sub-Regional*
- 4.11.1.1 Last year, I reported in some detail about the changing nature of the Partnership Agenda.
- 4.11.1.2 There has undoubtedly been a reduction in prescription about how we need to work in partnership as the government offices have been abolished, followed by the Audit Commission and regimes such as Comprehensive Area Assessment and Local Area Agreements.
- 4.11.1.3 At a sub-regional level, the County, Coventry and Solihull have signed a “Memorandum of Understanding” about working together. At the moment, it is difficult to see how this differs from earlier pronouncements about joint working in the way that it affects this Council but, clearly, if there are opportunities to work together and save money we will, as always, want to take up those opportunities.
- 4.11.1.4 Also, at a Coventry and Warwickshire level, the Local Enterprise Partnership is up and running, but there has been very little obvious benefit to North Warwickshire from this to date, although it has gone through significant structural change very recently. In reality, most of the activity that is taking place has come directly as a result of businesses wanting to move into North Warwickshire and speaking directly to the Council as Planning Authority and the LEP has not really played a role in this.
- 4.11.1.5 In terms of working with businesses, we are doing this as local Planning Authority and also working particularly with Hinckley & Bosworth and Nuneaton & Bedworth, as part of a cross-border partnership, to see what we can do to assist businesses by seeking to ensure that local people have the correct skills to get jobs and are also able to access them.
- 4.11.1.6 Similarly, the real differences that we seem to be making in relation to health are through discussions at local level with the emerging Clinical Commissioning Groups, rather than at a County level. With diminishing resources, we have to think very carefully about which partnerships work and where we should be putting our efforts. What we cannot afford to do on the other hand is to completely disengage from the bigger agenda because, if Health and Wellbeing Boards and LEPs, for example, do eventually start to make a real difference, we need to ensure that we have a seat at the table.
- 4.11.1.7 There is also ongoing dialogue with the County Council regarding Partnership Landscapes and particularly the role of Local Strategic Partnerships and Area Fora. In North Warwickshire, the Local Strategic Partnership has been a useful vehicle for taking forward key

issues whilst the success of Area Fora to date has been mixed. The role of the Fora is being looked at as part of the Council's review of Democratic Arrangements.

4.11.2 *Local*

4.11.2.1 Our Local Strategic Partnership focuses on key local issues – Health, Educational Attainment and Skills and Access.

4.11.2.2 *Health*

4.11.2.2.1 In terms of Health, a lot of the focus has been around alcoholism and obesity and we are working with partners to address these issues. The setting up of the Clinical Commissioning Groups has helped to have direct consultation with local health bodies and agree meaningful and practical actions. For example, we have had 88 people referred to our Leisure Centres by local GPs since Christmas. Before that, none were being referred.

4.11.2.3 *Education, Attainment & Skills*

4.11.2.3.1 In terms of Educational Attainment and Skills, in addition to work happening at Local Strategy Partnership level, the Council is also successfully using Section 106 money to improve the opportunities for local young people to access jobs and there is also a real focus on trying to improve public transport, which is also a major barrier to accessing jobs in a rural area. Work at Birch Coppice is currently the best example of this.

4.11.2.4 *Access*

4.11.2.4.1 Both a local authority and a partner with others, we are trying to enable local people to access services in their own localities. A key driver for this is the Hubs Project, where we are hoping to have twelve hubs open across the Borough by the spring. Our support of the rollout of improved Rural Broadband is also an essential to this work.

4.11.2.4.1 The fact that our actions are addressing key issues which are not only popular but also essential is backed up by the recently published Health Profile circulated to Members at recent presentations, where issues such as educational attainment; obesity; and, still, a high level of road injuries and deaths, despite us being a rural area with poor access, remain areas of major concern. In addition, whilst childhood obesity does not show us the priority it was last year, it still remains an area where we need to understand the issues better and, in terms of teenage pregnancy, the position has significantly worsened since last year.

5 **Internal Issues**

5.1 Priorities

5.1.1 This section looks at each of our priorities in turn, but to the extent that these have already been touched on in the report, I am not going to cover the ground again.

5.1.2 *Public Services and Council Tax*

5.1.2.1 In terms of this priority, we have embarked on a review of Constitutional Arrangements, including the recent Code of Conduct Review and the intention is to complete this in the next few months, including looking at the role of Area Fora.

5.1.2.2 The projects on the Council offices and Coleshill Leisure Centre are progressing.

5.1.2.3 Significant changes are underway in relation to localisation of Business Rates and these will be subject to further discussion and report in the next few months.

5.1.3 *Local Employment*

5.1.3.1 This has largely been covered in what I have already said about LEPs, the local cross border partnership and the Section 106 project at Birch Coppice. In addition, we have a 'Make a Difference' event planned for local employers and schools over two days in September.

5.1.3.2 We are also talking to businesses and local partners to look at ways to maximise the benefits to the local economy from the £100,000 'windfall' we got through the Portas Initiative. This will be the subject of a report to the next round of meetings.

5.1.4 *Environment*

5.1.4.1 Our performance on street cleanliness remains high and we are looking to improve service and operational delivery through the Council's Maintenance Review which will be reported to Members on an ongoing basis.

5.1.5 *Recycling*

5.1.5.1 The Refuse Collection and Recycling Review is a major project which is being taken forward through the member Task & Finish Group and Community & Environment Board.

5.1.6 *Crime and Disorder*

5.1.6.1 As I said earlier, the impact of the change to a Police and Crime Commissioner with a County-wide Police and Crime Panel will be a major issue for next year.

5.1.6.2 In the meantime, the local Community Safety Partnership and the Council's own Safer Communities Sub-Committee continue to work on local issues, including anti-social behaviour for which additional mobile CCTV cameras have been purchased to act both as a deterrent and to assist with evidence gathering at hot spots.

5.1.7 *Countryside and Heritage*

5.1.7.1 The key issues, as mentioned previously, are firstly to get a fit for purpose and adopted Core Strategy in place before the end of the current municipal year and, secondly, to oppose HS2 and, if it does go ahead, to do the best that we can do to minimise the impact on the Borough and local people.

5.1.8 *Housing*

5.1.8.1 Provision of Affordable Housing is an ongoing challenge for the Council and its partners. Social Housing Grant is now at a very low level, but we are working with housing association partners and using our own potentially improved funding position through the HRA to make progress. Key to maintaining a healthy position is continuing to keep up high rent collection levels in the face of welfare reforms, including the stopping of direct payment of Benefit to landlords, which is likely to be challenging.

5.1.8.2 We are, however, looking to continue the Council housing building programme.

5.1.8.3 In addition, a major review of Borough Care is about to start, with presentations to political groups shortly.

5.1.8.4 In terms of private housing, the transformation of the way that we deliver Disabled Facilities Grants is being extended across the County and we continue to work to bring empty homes back into use.

5.1.9 *Access to Services*

5.1.9.1 The key project has been the Hubs Programme. It is hoped to have twelve Hubs up and running before the end of the municipal year. This then has been a major success to date, but has been very labour intensive for the authority. The real test is the extent to which the Hubs will be sustainable, with adequate community support moving into the future.

5.1.9.2 The other key area where partners are working to find solutions, with some help through Section 106 monies, is in trying to ensure that local people have adequate transport links to local job opportunities.

5.1.10 *Consultation and Communication*

5.1.10.1 This is largely about maximising the impact of traditional methods of communication, such as North Talk, whilst embracing the opportunities provided by new types of media, particularly electronic, whether it be the website, Facebook, Twitter or others. Key for this will be the roll-out of improved Broadband to rural areas which we have committed significant funding to. The Scrutiny Board has reviewed this area and agreed a draft Action Plan which will be considered shortly by this Board.

5.1.11 *Health and Wellbeing*

5.1.11.1 This priority is being addressed in a number of ways, including progressing the implementation of the Green Space and Playing Pitch Strategies, improving local nature reserves and sorting out the long term future of leisure facilities in Coleshill. Other initiatives include carrying out projects to promote healthy living, often with partners (eg, GP referrals).

5.2 Style and Culture

5.2.1 This really relates to the perennial question about what sort of Council do Members want to be?

5.2.2 We have tended to be a traditional service provider, delivering a lot of services in-house but, having said that, we have had to look over the last few years at ways of doing more for less and have a number of good examples of shared working, including Building Control, Legal Services, Payroll, IT provision and Procurement and we are always looking for opportunities to do more. Currently, this includes potential solutions for refuse collection and also sharing accommodation

5.2.3 In addition to the service provider role, significant steps have been taken in terms of working to help local people in difficult times. We have got front-line staff trained to spot when people have got financial issues and that is going to become absolutely crucial as we move into the next stage of Benefit Reform. We are also trying to identify vulnerable adults in difficulty in the way that we currently aim to do in terms of Safeguarding Children. One of the most important recent projects in this regard is the way that we working with local communities to enable them to help themselves through the community Hubs and it will be interesting to see how sustainable some of these are going in to the future. Some of this goes back to what I said earlier in relation to Open Public Services, about the dilemma

between trying to cut costs through sharing services on the one hand and facilitating more local service provision on the other. We need to be able to deliver what our communities want and to do it well, or help them to do it themselves, but there has also got to be some realism about what can be achieved in difficult financial times.

6 **Resources**

6.1 Finance

6.1.2 The proposed financial strategy and budget approach forms a separate report on this agenda, but the key issue is that the Council needs to find ongoing savings from the General Fund based on current projections of £1.5 million over the period 2012/13 – 2016/17. Significant savings have already been made and will continue to be required from 2013/14 onwards. Consequently, there is little potential for future growth.

6.1.3 As Members are aware, a long term approach has been developed, but there are significant strategies ahead which will need to be reviewed during 2013/14.

6.1.4 The Deputy Chief Executive's report deals in more detail with the General Fund budget situation and what action is being taken to address it.

6.1.5 The position in relation to capital is also one for concern. Housing self-financing should generate sufficient resources to maintain our housing stock. However, the General Fund has very limited resources for capital and can only undertake expenditure as it becomes absolutely essential. The Council has an ageing asset base which is in need of investment. There is a significant amount of capital spend in the medium to long term for which resources have not yet been identified and this is an issue that will need to be addressed.

6.2 Staffing

6.2.1 Staffing remains the Council's biggest asset and resource. We have a Human Resources Strategy which aims to look after our workforce and ensure that North Warwickshire is seen as an attractive place to work. We have been reducing our workforce over the last few years and have taken a significant amount of money out of our establishment in that time. This has largely been managed without compulsory redundancies and the last staff survey showed that morale was reasonably high in difficult financial circumstance, with staff that haven't had a pay rise for a number of years. We are due to be doing another staff survey shortly and it will be interesting to see whether that remains the case.

- 6.2.2 Sickness continues to be managed and is significantly down from the position a few years ago and down again since last year. Positive action in terms of absence management continues to be taken, through the use of Occupational Health, phased returns to work and flexible arrangements to minimise absence, wherever possible.
- 6.2.3 I continue to work with a group of staff to look at how things can be made better and key areas that have been taken forward including Improving Communication, Ensuring Management Consistency, Acknowledging Achievements, Improving Staff Understanding of Healthy Lifestyles, etc. This remains an ongoing project.
- 6.2.4 It is also important to keep our Senior Management Structure under review to retain sufficient capacity to deliver good quality services, whilst taking account of the challenging financial environment.
- 6.2.5 Similarly, the shared services agenda is also aimed at helping to improve capacity as our financial position becomes more and more challenged.
- 6.2.6 We do, as a small District Council, punch above our weight in a number of areas and having motivated staff is key to this. The response of front line staff to recent flooding issues is a good example of this.

6.3 Land/Accommodation & Other Capital Assets

- 6.3.1 As Members are aware from previous reports, the Council has a number of ageing assets, including the Council offices, Coleshill Leisure centre, The Arcade and Atherstone Memorial Hall. This creates some real tensions when most of the Council's capital spend is on housing and low land prices continue to limit our ability to generate capital receipts from land sales.
- 6.3.2 Action is now being taken on The Council House and options are being brought forward on Coleshill Leisure Centre. We are also moving forward in terms of housing capital projects. Key decisions will need to be made on our other capital assets in due course.

6.4 Information

- 6.4.1 Service delivery is ever more dependent on IT systems and public expectation is growing, as is our expectation of the public using them. That is the basis for some of the thinking around Hubs and it is also how we will have to deal with it to a much greater extent in terms of service delivery, particularly in relation to services like Benefits, moving into the future.
- 6.4.2 It is also clear that there has been a massive growth in the use of electronic communication and social media and we do need to keep on

top of that as a local authority because the old ways of communicating just don't work any more.

7 Report Implications

7.1 Finance and Value for Money Implications

7.1.2 Any new financial implications will be reported as part of the budget process.

7.2 Safer Communities Implications

7.2.1 These are set out in the report.

7.3 Environment and Sustainability Implications

7.3.1 The issue of the Council needing to take account of sustainability issues is mentioned in the body of the report.

7.4 Health, Wellbeing and Leisure Implications

7.4.1 These are set out in the report.

7.5 Risk Management Implications

7.5.1 These will be identified as proposals for 2013/14 are developed.

7.5.2 The key issue in this report however is to note the importance of matching the Council's obligations and ambitions with the resources available to it.

7.6 Equalities Implications

7.6.1 In making major strategic policy and financial decisions, it will be necessary to consider whether an Equality Impact Needs Assessment needs to be carried out.

7.7 Links to Council's Priorities

7.7.1 These are referred to in the report.

The Contact Officer for this report is Jerry Hutchinson (719200).

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 9

Executive Board

11 September 2012

**Report of the
Deputy Chief Executive**

Financial Strategy 2013 - 2017

1 Summary

- 1.1 This report summarises the Authority's Financial Strategy, projects forward the Authority's General Fund budgets to 2016/17, and suggests a detailed budget approach for the 2013/14 General Fund Budget.

<p>Recommendation to Council</p> <p>a That the Financial Strategy shown as Appendix A is approved;</p> <p>b That the General Fund budget projections for 2013/14 to 2016/17 be noted;</p> <p>c That the budget approach, set out in paragraph 12.1 to 12.2 of this report, be adopted; and</p> <p>d That growth bids be assessed according to the criteria set out in 9.2 of this report.</p>
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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 changes to the financial environment nationally, so some amendments have been made to the strategy to reflect the current financial pressures facing the Council.
- 2.2 The expected reductions in general revenue support have been included in the latest revision of the strategy, along with the special grant received in lieu of a council tax increase for 2011/12. The strategy has also been updated to reflect the move to self financing system for the council's housing stock.
- 2.3 A forecast of the General Fund Revenue Estimates has been completed for 2013/14 and the following three years. The figures are intended to indicate the position in broad terms only. More accurate ones will be produced during the forthcoming estimate process.

- 2.4 The budget strategy agreed in February 2012 included no growth and a savings target of £532,000 for 2013/14. Given the increasing difficulty of finding savings, some work started in 2011/12 was intended to generate a number of savings in 2013/14. To date savings of £200,000 have been found, and a number of other possible savings identified for the 2013/14 target, are currently being reviewed.

3 Finance Settlement

- 3.1 The assumptions used in the financial forecasts, for estimating the likely finance settlement the Authority will receive, are set out in the Financial Strategy. Future settlements will be influenced by the localisation of business rates, however there is insufficient information currently available to enable this report to take account of the impact of changes in this area.
- 3.2 In summary, in this report North Warwickshire is expecting a general cash reduction of around 16% over the next two years. The 2015/16 financial year will be year one of the next Comprehensive Spending Review, and the indications are that external funding received will be heavily influenced by the next spending review. A standstill in external funding has been assumed in 2015/16, with a further reduction of 1.4% in 2016/17.
- 3.3 The implications for individual Councils will be reassessed in November when further details of the Local Government Finance Settlement are published.

4 2013/14 Budget Strategy

- 4.1 Financial forecasts for 2013/14, 2014/15 and 2015/16 were prepared as part of the 2012/13 budget strategy, which agreed savings of £532,000, £410,000 and £300,000 respectively. This strategy was expected to lead to the following use of balances:

	2013/14 £000	2014/15 £000	2015/16 £000
Use of Balances	349	415	328
Level of Balances at 31 March	2,067	1,652	1,324

5 Updated Forecast

- 5.1 In order to update the strategy, a number of areas have been revisited. The 2012/13 budget has been adjusted for the following significant changes:

	£000
Increased vacancies / restructures	(90)
Improved income from the industrial units at Innage Park	(46)
Reduction in NDR for Coleshill Car Park	(5)
Reduction in the contingency	(14)
Change in the financing adjustment	(88)
Reduction in investment Income	40
Total	(203)

5.2 The anticipated amount to be taken from balances is expected to reduce to £250,000, leaving an anticipated opening General Fund balance of £3,143,000 at 1 April 2013. This has been used as the revised starting point for the updated forecast. The 2013/14, 2014/15 and 2015/16 years have also been reviewed and a further year, 2016/17, has been forecast.

6 Budget Projections 2013/14 to 2016/17

6.1 The forecast has been summarised and attached to this report as Appendix B. No growth has been included, except for one off provision to cover the elections in 2015/16. The forecast anticipates balances of £1,483,000 at March 2017, if the assumed savings are made.

6.2 In completing the forecast, a number of assumptions have been made:

Cost / Income Type	2013/14	2014/15	2015/16	2016/17
Pay awards (where 0%, the effect of a basic increase for employees under £21,000 has been included)	2%	2%	2%	2%
Superannuation rates	18.2%	19.2%	20.2%	20.2%
Business rates	3%	3%	3%	3%
Utilities	4%	4%	4%	4%
Other premise costs	3%	0%	3%	0%
General inflation, where a contractual obligation	3%	3%	3%	3%
Agency staff	2%	2%	2%	2%
Other supplies and services	3%	0%	3%	0%
Payment of benefits	2.5 - 5%	2.5 - 5%	2.5 - 5%	2.5 - 5%
Reduction in specific Housing Benefit admin grant	-5%	-5%	-5%	-5%
External funding from central government	-7.6%	-10%	0%	-1.4%
Council Tax	2.5%	2.5%	2.5%	2.5%
Income	3%	3%	3%	3%

Larger premise and supplies and services costs have been assessed separately for inflation. 'Other' 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.

6.3 The forecast for each year includes a contingency sum. Funding has been included to cover the costs of borrowing to fund the accommodation project and the replacement of Coleshill Leisure Centre.

6.4 The expected use of balances in the current forecast are shown below, together with those estimated in previous forecasts.

	2013/14 £000	2013/14 £000	2014/15 £000	2015/16 £000
Current Forecast	446	530	497	187
2012/13 Strategy to Board	349	415	328	
Difference	+97	+115	+169	

7 Areas of Difference

7.1 The main areas of difference between previous projections and the current figures in 2013/14 are:

- **Investment Income** – investments are expected to decrease in 2013/14
- **Financing Adjustment** – an increase in the financing costs are expected
- **Contingency** - the provision has reduced as additional costs included for the accommodation project have been moved back a year.

8 Savings

8.1 The financial strategy still requires savings of £1.242 million over the period 2013/14 to 2015/16, and in addition requires savings of £250,000 in 2016/17. The forecast has included the total savings of £1.492 million over the 4 years, which equates to a saving of around 4.3% of the net budget per annum. The authority has already made significant reductions in its budget over recent years, so taking out a further £1.492 million will be challenging. Work is already in hand for identifying options for reducing net expenditure for both 2013/14 and subsequent years.

9 Growth Items

9.1 Bids for growth are normally made during the estimate process. For the purpose of this exercise, no growth has been assumed except the cost of the elections in 2015.

9.2 Given the Council's financial position and the variety of demands being placed upon it, no growth bids should be considered, unless they are unavoidable. Before any growth is approved, it will need to be assessed against the following criteria:

- Whether there is a statutory need to incur the expenditure
- The level of risk to which the Council would be exposed, should the expenditure not be incurred
- The extent to which the proposed growth generates income or external funding

In addition, Assistant Directors have been asked to identify the outcomes that the Council could expect from any growth approved.

10 **An Updated Strategy**

- 10.1 The projection in Appendix B leaves the Council with balances at the required level by the end of 2016/17. This is on the basis that further savings of £532,000, £410,000, £300,000 and £250,000 are found in 2013/14, 2014/15, 2015/16 and 2016/17.
- 10.2 In order for the Council to continue with current service provision, there is a need to continue to use future savings targets and review allocations for growth. Keeping to the strategy is dependent on savings being achieved to target in each of the years covered.
- 10.3 The current forecast also indicates that further savings will be required in 2017/18 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 6 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:
- **Formula Grant** – government announcements have been used to give the level of general reduction for 2013/14 and 2014/15, but actual reductions have yet to be confirmed. There is no available information for 2015/16 and 2016/17, as these will come under the next Comprehensive Spending Review.
 - **Special Grant** – the special grant received as compensation for not increasing council tax levels in 2011/12 was guaranteed until 2014/15. An assumption has been made that this will continue in 2015/16 and later years.
 - **Business Rates** – the local retention of business rates from April 2013 will bring uncertainty around the level of funding to be received on an annual basis.
 - **Investment Income** – although interest rates have been predicted using professional advice, financial markets can vary significantly over time.
 - **Salary Increases** – a public sector pay limit of 1% was announced for 2013/14. However pay awards will actually be dependant on the national negotiations carried out by the Employers Organisation
 - **Council Tax Support** – the grant received towards council tax support will be fixed before the start of the year. 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 5% in 2012/13 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.

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 £1.492 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
2013/14	718	446	256
2014/15	840	530	290
2015/16	1,005	497	102
2016/17	791	187	(227)

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 in 2013/14, the Council would be able to reduce the savings currently included in the strategy from £1.49 million to £0.84 million, and achieve the same level of balances at the end of 2016/17.

11.4 If the worst-case scenario occurred in 2013/14, there would be an additional call on balances. As the balances at 1 April 2013 are expected to be £3,143,000, the Council could manage the worst case into 2014/15 if needed. However further savings of £500,000 and £300,000 would be needed in 2015/16 and 2016/17 respectively, to ensure balances were at an acceptable level at the end of 2016/17. Finding the additional savings earlier would mean the total savings required during the life of the strategy would reduce.

11.5 The above risk assessment has acknowledged proposed changes to move from a national business rates system to a local system. Although proposals on business rates have been issued for consultation, there is limited information to base financial assessments on. Future revisions will include more accurate assessments.

12 **Budget Approach 2013/14**

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 2013/14, 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 £1.04 million to £2.2 million. The updated strategy includes savings of £1.492 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 2013/14 – 2016/17**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 and ties in with current announcements on financial settlements from the government. A longer period would require more speculative forecasts.
- 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, along with targets for a three year period.
- 2.2 In summary, these are:
- Protecting public services for local people whilst maintaining a balanced budget and keeping Council Tax increases lower than inflation
 - Bringing more jobs to North Warwickshire, whilst seeking to protect existing jobs and developing our workforce
 - Protecting and improving our local environment
 - Improving the role of recycling
 - Working with the Police, Parish Councils, Town Councils, the community and other partners to tackle Crime and Anti-Social Behaviour
 - Protecting and improving our countryside and heritage
 - Listening to and working with our tenants to maintain and improve our housing stock and providing affordable housing in the right places
 - Proving easier access to Council services, particularly through the internet
 - Improving communication of information and community consultation including, where appropriate, providing the opportunity to be involved in decision making

- Helping to tackle health inequalities by working with the County Council and the NHS locally and by encouraging, where financially viable, leisure opportunities in local communities
- 2.3 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.
- 2.4 The Corporate Plan and associated Financial Strategy are reviewed and updated on an annual basis, before the start of the new financial year. A further review of the Financial Strategy for the General Fund is also carried out part way through the year, to ensure that changing circumstances are taken into account in carrying out the full review. This additional review is not considered necessary for the Housing Revenue Account at this time, as the financial position is less constrained. However the additional review is used, when necessary.
- 2.5 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). Both indices measure the average changes month to month in prices of a basket of consumer goods and services purchased in the UK. However, there are several differences between the two indices:
- CPI excludes council tax, mortgage interest payments and house prices, which are included in RPI
 - The relative weightings given to items in the basket of goods are different
 - Different mathematical formulas are used for combining the prices collected for each item in the basket. This works in such a way that the average price for each item in the CPI is always lower than or equal to the average price for the same item in the RPI

A third index that is often quoted is RPI-X, which is RPI but excludes mortgage interest payments.

- 3.2 The Council reviews all three 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.
- 3.3 Specific areas of increase are considered separately and individual rates of increase used to reflect prevailing market conditions, where they are

APPENDIX A

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
- insurance costs
- investment rates.

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

Cost / Income Type	2013/14	2014/15	2015/16	2016/17
Pay awards	2%	2%	2%	2%
Superannuation rates	18.2%	19.2%	20.2%	20.2%
Agency staff	2%	2%	2%	2%
Business Rates	3%	3%	3%	3%
Utilities	4%	4%	4%	4%
Other premise costs	3%	0%	3%	2%
General inflation, where a contractual obligation	3%	3%	3%	3%
Other supplies and services	3%	0%	3%	0%
Payment of benefits	2.5 - 5%	2.5 - 5%	2.5 - 5%	2.5 - 5%
Housing Benefit Administration Grant	-5%	-5%	-5%	-5%
External funding from central government	-7.6%	-10%	0%	-1.4%
Council Tax	2.5%	2.5%	2.5%	2.5%
Income	3%	3%	3%	3%

4 Demographic Factors

- 4.1 Demographic factors can affect the Council's planning in a number of ways:
- Changes in population can affect the Council's entitlement to government grant
 - 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 any 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 Similarly the Council Tax Base has remained fairly consistent over a number of years, with only small increases. This position is not expected to change much in the medium term, given the potential new build in the area. The Strategy has therefore assumed a constant tax base, although there will be some movement depending on the Council Tax Support scheme adopted.

5 General Fund Activities

5.1 Comprehensive Spending Review and Grant Settlement

- 5.1.1 Central government provides funding to local authorities for its General Fund activities through the Revenue Support Grant system. A Comprehensive Spending Review is carried out, which identifies the funding to be allocated to the public sector, and the proportion allocated to local government is then split between individual local authorities using a Formula Grant distribution system.
- 5.1.2 The last Comprehensive Spending Review was carried out in 2010, and the totals produced were used to allocate grant for 2011/12 and 2012/13.
- 5.1.3 The formula grant is based on four blocks:
- **Relative needs** – based on a basic amount per client plus top-ups to reflect local circumstances which affect service costs, eg. deprivation and area costs. The cash value of the block is distributed to authorities in proportion to their relative need
 - **Relative Resource Amount** – this is a negative figure and takes account of individual authorities' ability to raise income from Council Tax, by looking at their tax base
 - **Central Allocation** – an amount allocated on a per capita basis
 - **Floor Damping** – to ensure that all authorities receive a minimum grant increase. The government set a minimum increase in grant compared with the previous year, on a like for like basis – known as a 'floor'. Grant increases to authorities above the floor are scaled back to pay for this.
- 5.1.4 The Council's formula grant reduced by 13.3% in 2012/13. No individual detail was available for 2013/14 onwards, with indications only given on a national basis. These showed further reductions in funding. This reduction in public sector spending is required as a result of the current national economic situation.
- 5.1.5 Previous grant settlements have also included a number of specific grants given to local authorities. These were Homelessness and Housing / Council Tax Benefit Administration. These grants are no longer ring fenced.

5.2 Business Rates

- 5.2.1 From April 2013, the current grant settlement system will change, with local authorities set to retain a proportion of the business rates they collect. The detail of the revised system is still being considered, so the current financial strategy has continued to use the existing funding method. Future revisions of the strategy will include the localisation of business rates.

5.3 Council Tax Base

- 5.3.1 The Council has had a fairly consistent tax base for a number of years. Given the minimal variation, the current tax base is used in the financial projections for each year of the medium term financial strategy. This tax base assumes a collection rate of 98.5%. Although the Council usually exceeds this 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.

- 5.3.2 The national Council Tax Benefit scheme currently in operation will finish at the end of 2012/13 and will be replaced with local Council Tax Support schemes. The Council are currently consulting on a proposed scheme for North Warwickshire, which includes some amendments to existing exemptions from Council Tax. This would increase the existing council tax base. However the proposed scheme would require some residents to pay council tax, who have no liability at the moment. The Council may wish to revisit the collection rate when details of the Council Tax Support Scheme are finalised.

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 The government have brought in a requirement for proposed increases above a given level 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 reduced considerably as the effect of the economic situation has taken hold. This will be taken into consideration in the review of fees and charges during the detailed work in the 2013/14 budget.

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. The service is required to repay this advance from the additional income or expenditure saving, over an agreed period of time. This enables investment, whilst maintaining the reserve for future bids.
 - **External Funding.** Services are encouraged to look for external funding to support service development and enhancement. In doing so, consideration of ongoing costs against potential one off funding is fundamental.
 - **Efficiencies.** The Council looks for efficiencies in service provision, which allows the reallocation of resources to other priorities. For

example, a rationalisation of rounds on the domestic refuse collection service, enabled additional recycling to be undertaken.

- 5.6.2 The Council also uses the financial savings identified in its strategy 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 2013/14 will be carried out in 2012 during the production of that budget. Only those found will be included. Where possible the savings will be brought in earlier, during 2012/13, as this will give a beneficial impact on balances. If the savings target of £532,000 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 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.
- 5.8.3 The Council has also established a system of risk management, 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.

5.9 Budget Process

- 5.9.1 The budget process operates throughout the year, with the budget strategy updated twice per year. The updated budget cycle is given below in broad terms:
- February / March – a financial strategy is approved for a four year period, with Year 1 being a detailed budget for the following financial year. The financial strategy includes an assessment of the general

balances to be maintained, and savings targets for future years. Detailed savings for the following financial year (Year 1) are built into the approved budget.

- April / December – work is carried out on finding savings for the following year (Year 2)
- July / September – the financial projections for years 2, 3 and 4 in the financial strategy are updated, and a projection for an additional year 5 is added
- September – Executive Board approve an updated budget strategy for the four years following the current financial year (Years 2 – 5). This sets the framework for the preparation of the following years detailed budget.
- September /December – detailed work on the budgets is carried out
- January / February - Service Boards consider detailed budgets
- February / March - a financial strategy is agreed for a four year period (Years 2 – 5), with a detailed budget approved for the following financial year.¹ The financial strategy includes an assessment of the general balances to be maintained, and savings targets for future years. Detailed savings for the following financial year are built into the approved budget.

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 number of methods are used – some every year, whilst others are carried out periodically:

- Business Rate payers meetings are held, to discuss budget proposals
- paper questionnaires to a sample of the citizens panel
- focus groups involving participants from members of the citizens panel
- electronic questionnaires on the website
- specific consultation exercises eg. Council Tax Support

5.10.2 Consultation on the 2012/13 budget was undertaken using the Business Rate payers meeting.

5.10.3 The timing of consultation is important. The Council will carry out more of its consultation before Christmas, to enable Members to give more consideration to the results obtained.

6 Housing Revenue Account

6.1 National Housing Pool

6.1.1 From April 2012, all housing authorities moved to a system of self financing for their Housing Revenue Accounts, in stead of being part of a National Housing Pool. This involved this Authority making a payment of £59.539 million to the Government in March 2012.

¹ note. Years 2 – 5 are then reclassified as years 1 – 4, and the process starts again.

6.2 General Balances on the Housing Revenue Account

- 6.2.1 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.
- 6.2.2 The current policy for general balances is to retain minimum working balances of £500,000 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.
- 6.2.3 Risk management practices are used, when assessing new legislation, or policy changes, so any significant increase in financial risks will therefore be addressed during the year, if this is necessary.

6.3 Housing Business Plan

- 6.3.1 To ensure the continued management and maintenance of North Warwickshire's housing stock under the new system, both Members and officers will need to take decisions on a longer term basis. For example, it will be necessary to build up surpluses to fund the capital expenditure needed later in the business plan. The impact on the business plan of decisions taken will be fundamental.
- 6.3.2 In establishing a valuation for the housing stock of North Warwickshire, the government made a number of assumptions. One of the main assumptions was that the authority would continue to increase rents in line with government policy. The financial forecasting that we have undertaken to assess the viability of self financing has also assumed that rents will increase in line with government policy. It will be essential therefore, particularly in the early years of the new system, to ensure that rent decisions are made in line with financial forecasts.
- 6.3.1 Further detail around the management and maintenance of the Council's housing stock is given in the Housing Business Plan.

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 The current approved capital programme is heavily reliant on land sales to fund expenditure over the next 4 years. Given its restricted resources, the council prioritises capital schemes, to enable it to carry out all essential spending.

- 7.1.4 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

- 7.1.1 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.
- 7.1.2 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 Efficiencies are sought in a variety of ways:
- Value for Money reviews on individual services;
 - Systems thinking reviews on individual services;
 - a procurement group meets to monitor the target set for procurement savings, and ensures that action is taken corporately;
 - a number of actions are agreed each year as part of the budget process, which require specific attention.

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 £71 million. External borrowing was used to pay the Government the £59.539 million to move to Self Financing, with internal loans from earmarked reserves held for future revenue and capital spending for the remainder of the borrowing requirement. 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, of the settlement debt level plus any prudential borrowing taken out to fund new housing at 31 March 2012.

- 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 Sector, 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, where the timing of expenditure goes across financial years eg. Community Development schemes
- Funding set aside for specific services, where the timing of demand can vary eg. Housing Repairs, Parish Plans
- Funding set aside for the future replacement of assets eg. Play Areas
- Funding set aside for capital spending, either from revenue provision, contributions received from third parties or receipts from the sale of assets
- Some funds are held which would enable the Council to manage specific risks. For example, the VAT reserve would cover the VAT which could not be recovered if the Council exceeded its exempt limit in a particular year. This would allow corrective action to be taken in a planned way.
- In some instances, it is not possible for services to spend the budget allocation in the year. For example, where staffing vacancies result in work being delayed. Where this relates to a particular piece of work which is still required, the funding is set aside for future use

- 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 The financial risks of individual services are considered during the budget preparation process, and are considered by Service Boards, along with the related budgets. A full risk assessment is undertaken annually on the level of balances for the General Fund as a whole, and the Council consider this in setting the overall budget and council tax. A risk assessment for the Housing Revenue Account is also prepared and considered at the same time as the budgets. This ensures that all current issues are included.
- 11.3 To assist with highlighting the impact of the potential risks, the major risks will be assessed on differing risk levels, and these are included in reports to Board.

APPENDIX B

EXPENDITURE FORECAST

	2012/13 Revised £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Base Budget	9,706	10,145	10,351	10,757	10,798
Investment Income	(110)	(100)	(120)	(170)	(220)
Financing Adjustment	(960)	(874)	(818)	(791)	(766)
Revenue Contribution to Capital Spending	119	119	119	119	119
Savings 13/14		(532)	(532)	(532)	(532)
Savings 14/15			(410)	(410)	(410)
Savings 15/16				(300)	(300)
Savings 16/17					(250)
Net Expenditure	8,755	8,758	8,590	8,673	8,439
Council Tax	(4,491)	(4,603)	(4,718)	(4,836)	(4,957)
Special Grant	(112)	(112)	(112)	(112)	(112)
External funding	(3,847)	(3,547)	(3,180)	(3,178)	(3,133)
Collection Fund surplus	(50)	(50)	(50)	(50)	(50)
Use of Balances	250	446	530	497	187
Balance C fwd	3,143	2,697	2,167	1,670	1,483

APPENDIX C

Potential Use of Balances

Best Case

	2012/13 Revised £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Estimated Use of Balance	250	446	530	497	187
RSG – damping allowance continues		(100)	(110)	(254)	(260)
Improvement of 0.5% in business rates		(10)	(20)	(31)	(44)
Improvement in service income			(30)	(30)	(30)
Improvement of 1% in investment rates		(80)	(80)	(80)	(80)
Potential Use of / (Cont to) Balances	250	256	290	102	(227)
Balances at Year End	3,143	2,887	2,597	2,495	2,722

Worst Case

	2012/13 Revised £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Estimated Use of Balance	250	446	530	497	187
Reduction of 0.5% in business rates		9	46	133	226
Pay award of 2% in 2012/13		95	97	99	101
Further reduction in service income		30	30	30	30
Reduction of 0.5% in investment rates		40	40	40	40
Special grant ends in 2014/15				111	111
Inflation is 1% higher than assumed		98	97	95	96
Potential Use of / (Cont to) Balances	250	718	840	1,005	791
Balances at Year End	3,143	2,425	1,585	580	(211)

Agenda Item No 10

Executive Board

11 September 2012

**Report of the Assistant Director
(Corporate Services)**

Contract Standing Orders

1 Summary

1.1 This report seeks approval for the revised Contract Standing Orders.

<p>Recommendation to the Council</p> <p>That the Draft Contract Standing Orders provided as Appendix 1A is approved.</p>
--

2 Consultation

2.1 Councillors M Stanley and Hayfield were sent a copy of the draft Contract Standing Orders and the Resources Board Report when the consultation for Resources Board took place.

3 Report

3.1 The draft Contract Standing Orders will be considered by Resources Board on the 3 September 2012. The report prepared for Resources Board (attached as Appendix 1) highlights the main changes to the Council's Contract Standing orders and the reasons for them.

3.2 Any questions raised about the draft CSO's or the report presented to Resources Board will be fed back to this Board.

The Contact Officer for this report is Linda Bird (719327).

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

Appendix 1

Agenda Item No 6

Resources Board

3 September 2012

Report of the Assistant Director (Corporate Services)

Contract Standing Orders

1 Summary

1.1 This report seeks approval for the revised Contract Standing Orders.

Recommendation to the Council

That the Draft Contract Standing Orders provided as Appendix 1 are approved.

2 Consultation

2.1 Councillors Moore, Butcher and Smith have been sent an advanced copy of this report for comment. Any comments received will be reported verbally at the meeting.

2.2 As required for Council Policy this report will also be submitted to the Executive Board for approval.

3 Background

3.1 Contract Standing Orders are a set of rules which primarily guide how the Council buys goods, services and works. Councils are legally obliged to have such rules and the rules must take account of European Union Treaty and Directives and National Legislation which governs procurement by the Public Sector.

3.2 The current Contract Standing Orders (CSO) were developed by Consultants and approved in March 2006. Minor amendments have been made in the intervening years to reflect changes to legislation.

3.3 The proposed draft CSO's, provided as Appendix 1, have been rewritten to try to make them easier to use, to address any anomalies that have been identified through their use and to accommodate developments in procurement good practice and the most recent legislative changes.

4 Contract Standing Orders

4.1 The main changes between the current CSO's, which are available on the Council's website, and those proposed are summarised below:-

Appendix 1

- **Structure** - The structure of the document has been changed to ensure it follows a logical process from the start of a procurement exercise to the disposal of any asset.
- **Roles and Responsibilities** - The roles of different officers at specific points in the process has been clarified to help staff understand who is able to make decisions and at what value more senior decision makers need to be involved.
- **Legislation** - Changes as a result of the Bribery Act 2010, the Public Services (Social Value) Act 2012 and the Public Contract (amendment) Regulations have been incorporated.
- **Advertising** - The level (Level A) at which a Quote has to be advertised has been increase from £5,500 to £10,000. The requirement to advertise Tenders in trade press has been removed; officers can still choose to advertise if they feel it necessary and value for money.
- **Disposal** - A section has been added to cover the Disposal of Assets (Appendix 1 - section 15)
- **Variation** – The process for dealing with Contract Variations has been simplified and strengthened to ensure changes, which could take a contract over budget, are dealt with through Financial Services and in-line with Financial Regulations.
- **Exemptions** – Corrected the anomaly whereby there was no approval process for the use of an exemption to CSO's (Appendix 1 – section 6) where the procurement was valued at less than Level C (from £45,001).

4.2 Minor amendments to Contract Standing Orders, to accommodate legislative changes, will be made as necessary by the Assistant Director (Corporate Services) in consultation with the ACE and Solicitor to the Council. A full review will be carried out in 2017.

5. Report Implications

5.1 Finance and Value for Money Implications

5.1.1 The draft Contract Standing Orders have been developed to work with, and support, the Council's Financial Regulations.

5.1.2 One of the main aims of Contract Standing Orders is to ensure the Council purchases goods, services and works which are best value for money.

5.2 Safer Communities Implications

5.2.1 The Council will comply with the Contract Standing Orders for any procurement which they take the lead responsibility for within the work of the North Warwickshire Community Safety Partnership. The access to external funding including Area Based Grant for the partnership has reduced

Appendix 1

significantly over recent years. Other partners will comply with their procurement regulations as necessary.

5.3 Legal and Human Rights Implications

5.3.1 Public Sector procurement is governed by EU Treaty, Directives and National legislation. These Standing Orders have been written to help ensure legal compliance in all procurement and contracting activity.

5.3.2 A variety of other legislation and related Council Policy has an impact on how procurement is carried out, on how suppliers are expected to work with us and the nature of the contracts that are ultimately signed. Senior Officers and others involved with procurements are expected to ensure relevant legislation is accommodated and Council policy applied as necessary.

5.4 Environment and Sustainability Implications

5.4.1 The Council is aware of its duties under the Public Sector (Social Value) Act 2012 to consider how what is to be procured might improve the economic, social or environmental well-being of the Borough. Officers will be encouraged to consider how their actions could improve the well-being of communities. Any procurement generated through the work of the North Warwickshire Community Partnership which the Council takes the lead responsibility for will comply with the Contract Standing Orders. Other partners will comply with their procurement regulations as necessary.

5.5 Health, Wellbeing and Leisure Implications

5.5.1 The Public Sector (Social Value) Act duty highlighted above will help contribute towards improving the well-being of communities. The Council is supporting a number of specific initiatives under this theme which require procurement of goods and services which will comply with the Contract Standing Orders.

5.6 Human Resources Implications

5.6.1 Significant numbers of Officers and Members will be involved in procurements at various times. It is important that they understand their roles and levels of responsibility, these are summarised in Section 3 of the draft CSO's. Briefing notes on the revised CSO's will be developed for staff and awareness sessions organised. The Procurement Team also provide advice, guidance and support for Officers who may be required to procure on behalf of the Council.

5.7 Risk Management Implications

5.7.1 The Council is required to have rules for procuring goods and services. One of the main aims of the Council's CSO's is to help mitigate the risks that could arise through poor or illegal procurement practices.

Appendix 1

5.7.2 Other Council's Contract Rules and templates suggested by legal practices and Regional Centres of Excellence have been reviewed to ensure the draft CSO's are comprehensive and up to date.

5.8 Equalities Implications

5.8.1 Contract Standing Orders require the Council to apply relevant legislation to its procurement activities this includes the commitment to implementing the duties laid down under the Equality Act 2010 as they relate to procurement. We will use the best practice defined by the Equality and Human Rights Commission guidance on the specific duties relating to procurement.

5.8.2 The general equality duty applies to procurement and commissioning by public bodies such as the Council. The requirement to comply with the general equality duty applies to all procurement regardless of the value; however; the value of the contract may impact upon the relevance and proportionality of equality considerations.

6. Links to Council's Priorities

6.1 Good procurement and commissioning practices, as defined in Contract Standing Orders, support the Council's priority of achieving a balanced budget. However, the outcomes of the various procurement exercises could support and contribute to any one of the Council's priorities.

The Contact Officer for this report is Linda Bird (719327).

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

Contract Standing Orders



North Warwickshire
Borough Council

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1 PURPOSE

- 1.1 The purpose of Contract Standing Orders is to provide clear rules for Officers and Members to use when purchasing and a structure within which purchasing decisions are made. They aim to ensure that the Council:
- Purchases legally, fairly and with regard to good practice to safeguard the Council's reputation.
 - Is protected from maladministration and vulnerability to Fraud, Bribery/Corruption in the letting of contracts.
 - Protects individuals from undue criticism or allegations of wrongdoing.
 - Purchases goods, services and works that are best value for money.
 - Uses procurement to support its objectives and priorities.
- 1.2 By law (Section 135 of the Local Government Act 1972) the Council must have Standing Orders which guide the letting of contracts and which cover securing competition and regulating the Tender process.
- 1.3 Any dispute or difference in the interpretation of Contract Standing Orders and the Council's Financial Regulations or any other relevant document shall be resolved by the Solicitor to the Council.
- 1.4 Advice on the application of these Orders is available from the Procurement Team and the Assistant Director (Corporate Services).

2 SCOPE

- 2.1 Contract Standing Orders apply to procurements and contracts entered into by, or on behalf of, the Council for:
- the provision of goods, services and works regardless of their value,
 - concession contracts,
 - the disposal of land, property or other assets (including surplus goods).
- 2.2 This includes involvement by the Council in partnerships and other joint working where the money, including external funding, passes through the Council's accounts.
- 2.3 Contract Standing Orders DO NOT apply to:
- Goods, services or works purchased through an existing, valid Corporate Contract or provided by another division within the Council.
 - The purchase or hire of property.
 - Permanent staffing.
 - The engagement of legal Counsel or expert witnesses, or instructions to Solicitors to act on the Council's behalf.
 - Lending or borrowing of money.
 - Grants from the Council (except where they are to buy services).
 - Procurements where there is a valid and approved Exemption (Section 6).
- 2.4 The terms and phrases used in this document are explained in "The Glossary". All figures in Contract Standing Orders are net of VAT.

- 2.5 Elements of this document provide advice on how to procure. Further help is available from the Procurement Team and on the Council's Intranet.

3 RESPONSIBILITIES AND CONDUCT

- 3.1 Members and Officers shall comply with relevant Legislation and Directives and with Codes of Conduct, Protocols and Financial Regulations as set out in the Council's Constitution when dealing with procurement and contractual matters.
- 3.2 To minimise the risk of fraud, bribery and corruption within procurement, tendering and contracts particular attention should be made to NWBC Counter Fraud Policy and the Anti-Bribery Policy.
- 3.3 Senior Officers are accountable for purchasing and compliance in the Sections or Divisions for which they are responsible.
- 3.4 The appropriate Senior Officer is responsible for identifying a Procuring Officer to lead any procurement and contract award process.
- 3.5 Council employees, those engaged to act on behalf of the Council and all contracts made by the Council must comply with these Contract Standing Orders, the Council's Financial Regulations and Standing Orders and the Council's Procurement and Commissioning Strategy.
- 3.6 Officers, Members, and those acting on the Council's behalf shall maintain the highest standards of honesty, integrity, impartiality, independence and objectivity and ensure conflicts of interest are avoided or properly declared.
- 3.7 The Deputy Chief Executive may revise any figures referred to in these Contract Standing Orders and report such changes to Resources Board.
- 3.8 Officers must follow the appropriate Procurement Route which is determined by the value of the goods, service or works being purchased.
- 3.9 The Procurement Team should be consulted before a procurement starts and it will advise on, and assist Procuring Officers with, all aspects of the procurement process, practices and documentation.
- 3.10 Once a Contract has been established by the Council, for use by all services (a Corporate Contract); it must be used by all services to ensure compliance with the terms of the Contract and avoid breach of Contract.
- 3.11 The Senior Officer or Procuring Officer should notify the Assistant Director (Corporate Services) of all contracts entered into or contracts being arranged to enable procurement planning and to facilitate best value for money.

4 PRINCIPLES APPLYING TO ALL CONTRACTS/PROCUREMENTS

- 4.1 Every contract entered into on behalf of the Council must comply with these Standing Orders. However, National and/or European Union (EU) legislation and directives take precedence.
- 4.2 These Contract Standing Orders take precedence over any supplier agreements and terms and conditions.
- 4.3 Contracts will typically be awarded on a "most economically advantageous basis" using criteria which take into consideration cost and quality.

- 4.4 All purchases made or procurements carried out must be undertaken and approved by Officers with the appropriate delegated authority regardless of the value, procurement route or method of payment.
- 4.5 An Officer may only procure, raise an order or enter into a contract where there is approved funding e.g. provision in the Revenue Budget or as part of a scheme in the agreed Capital Programme.
- 4.6 Any contract award that involves the transfer of staff from the Council to a third party needs the approval of the Council.
- 4.7 Officers are expected to manage contracts to cost, quality, time and budget. In the event of variation to any one of these Officers will follow the relevant Contract Standing Orders to resolve or report the variation.
- 4.8 The length of a contract should be appropriate for the goods, services or works being purchased. A Contract should be for no longer than 4 years unless it is tied to the completion of a specific job or the supply of a fixed quantity of goods or the nature of the procurement demands it and a longer timeframe has been approved by a Senior Officer or a Board.
- 4.9 When using a Framework Contract or an existing contract let by another body the Procuring Officer must ensure they comply with the processes laid down for its use and be aware of the Contract terms and any award conditions or restrictions.

5 PROCUREMENT PLANNING

5.1 Future Contracts

- 5.1.1 The Council will determine, where possible, what contracts are due to be awarded or re-tendered in the course of its financial year and issue appropriate plans and notices, which may include:
- Prior Information Notices (PIN) where required under EU Regulations.
 - Advisory notices to current contractors.
 - A statement of intent or a Procurement Plan on the Council's website.

5.2 Need & Specification

- 5.2.1 Before starting any procurement activity or making a purchase it is essential that the Procuring Officer or Senior Officer (for procurements at Tender Level); -
- Is satisfied that the goods, service, or works are needed.
 - Has considered any alternative options for meeting the need.
 - Has established if there is an existing contract or corporate contract that must or should be used.
 - Sought advice from the Procurement Manager and for procurements at Tender levels obtained a procurement reference number.
- 5.2.2 A specification of what is needed must be decided on, regardless of the value of the procurement. This may range from a simple description and an estimated price to detailed specifications for high value, complex procurements.
- 5.2.3 Specification must not include requirements that are discriminatory or which may distort competition or contain non-commercial interests.

- 5.2.4 The Procuring Officer, and for Tender exercises the Senior Officer, must be satisfied that any specification is fit for purpose.

5.3 Estimating the Overall Value

- 5.3.1 An estimate of the total value of the procurement must be calculated at the outset to ensure the correct procurement route is selected and best value obtained. The [whole life cost](#) must be used to calculate the Overall Estimated Value which can be established by using one of the following: -
- the expected annual amount (purchase costs and on-going cost) multiplied by the number of years the contract is expected to operate,
 - the value of past annual expenditure multiplied by the number of years the contract is expected to operate,
 - the estimated cost of the good or service for a one off purchase,
 - or a value established through market testing e.g. indicative costs from potential suppliers.
- 5.3.2 The Council is aware of its duties under the Public Services (Social Value) Act 2012 to consider how what is to be procured might improve the economic, social or environmental well-being of the Borough. Procuring Officers and other Officers involved in procurement must therefore consider how their actions will improve the well-being of our communities.

5.4 Aggregation

- 5.4.1 The Council will make the best use of its purchasing power by aggregating its potential needs. It will consider all of its requirement and the likely total spend for similar goods and services across all Divisions when working out the Overall Estimated Value for a contract.
- 5.4.2 Officers **must not** deliberately split requirements to reduce the value of a contract in order to avoid certain procurement routes or to fall below EU procurement thresholds (see Table 1)¹.

6. EXEMPTIONS TO CONTRACT STANDING ORDERS

- 6.1 The requirement for the Council to purchase using a competitive process can be waived in certain or exceptional circumstances and for specific types of contract. The decision to use an Exemption must take into account value for money, probity and fairness. **An Exemption cannot be used for procurements above EU thresholds or if its use would result in a breach of UK or EU legislation.**

6.2 Exemptions and Approval to use an Exemption

- 6.2.1 Where it is intended to use a Standing Order for Exemption to having to follow a competitive Procurement Route the appropriate Senior Officer, in consultation with the AD (Corporate Services) or the Procurement Manager, must:

¹ See Table 1 for explanation of Tender Levels and respective values i.e. Levels 0, A,B,C,D and OJEU.

- For all purchases at or below Level B (Quotes, see Table 1) – approve the reason for the exemption and the specific Standing Order(s) to be used and ensure this information is documented,
- and for contracts valued at, or above Level C (Tenders), seek approval from the Deputy Chief Executive, or the Solicitor to the Council or MT,
- and where the value of the contract exceeds or is likely to exceed Level D seek approval from the relevant Board or CE using emergency powers.

6.3 Exemptions include: -

- 6a Using Framework contracts or collaborative procurements made by a body legally able to let public contracts such as a Professional Buying Organisation; provided that tenders or quotations have been invited and contracts awarded in accordance with procedures which are equivalent to these Contract Standing Orders and which comply with any national or EU Public Contract Rules or legislation.
- 6b The purchase of works, goods or services required in an emergency or in exceptional circumstances or so urgently that competition would not be in the Council's best interests or possible.
- 6c Where the purchase of goods, services or works from a different firm would result in incompatibility with existing goods, services or assets or would result in disproportionate technical difficulties or financial disbenefit.
- 6d When there are justifiable technical, specialist or supply market reasons and the works, goods, materials or services can only be obtained from one firm, and no reasonably satisfactory alternative is available.
- 6e Best value for money can be achieved by the purchase of used or pre-owned vehicles, plant, equipment or materials.
- 6f The purchase or sale of property or articles at an auction sale.
- 6g In exceptional circumstances; where the work to be done or the goods to be supplied constitute a valid extension to an existing contract and it is in the Council's best interest to negotiate with the existing contractor/supplier.
- 6h Where a Contract Award has been suspended under the 2009 amendment to the Procurement Regulations, the incumbent supplier can continue offering the supply or service until the dispute has been resolved

6.4 The Procuring Officer must document decisions made and retain relevant documentation if an Exemption is granted.

7. PROCUREMENT ROUTES

7.1 **This section does not apply if an Exemption has been agreed (see Section 6) or a Corporate Contract is to be used.**

7.2 Anyone procuring on the Council's behalf must ensure that opportunities to supply goods, services and works are advertised appropriately and that the conditions for competition are met.

7.3 Thresholds, Advertising and Competition

7.3.1 The Overall Estimated Value is used to determine the procurement method (quote or tender), the minimum number of firms to be invited, the requirements for advertising, and contract award /order process; these are summarised in Table 1.

Table 1– Levels and Procurement Route					
Level	Overall Estimated Value	Method & Response	Number of Firms Invited.	Advertising Method & Timescale	Order and Award Process
Level O	Up to £1,500	Quotations – may be verbal.	At Least 2 Firms	Not Required	Confirmed & ordered using Council Purchase Order or Council P-Card.
Level A	£1,501 to £10,000	Quotations in writing.	At Least 2 Firms	Not Required	Confirmed & ordered using Council Purchase Order or Council P-Card.
Level B	£10,001 to £45,000	Quotations in writing.	At Least 3 Firms	Invitation to Quote on Council Website for at least 5 working days.	Confirmed & ordered using Council Purchase Order.
Level C	£45,001 to £110,000	Tender Procedure-Responses in writing.	At Least 3 Firms	Invitation to Tender on Council Website and if appropriate a Procurement Portal for at least 10 working days.	Confirmed by Award Letter & ordered against Contract and/ or using Council Purchase Order
Level D	£110,001 to OJEU Levels	Tender Procedure-Responses in writing	At Least 3 Firms	Council Website & relevant Procurement Portal for at least 14 working days.	Confirmed by Award Letter & ordered against Contract and using Council Purchase Order
OJEU	OJEU Levels and above	EU Tendering Procedure - Consult the Procurement Team before starting EU procurements. EU Thresholds - 1st January 2012 to 31st December 2013: - Services and Supplies = £173,934 , Works = £4,348,350			
Tenders should only be advertised in a publication (Local or Trade) if the Senior Officer believes it essential to achieve competition and it is best value for money.					

7.4 If sufficient Quotations have not been obtained after advert or the relevant Senior Officer feels that it is inappropriate in the interests of the efficient management of the service to advertise or seek the required number of quotations, then the reasons and proposed actions must be discussed with the Procurement Manager and a record of the decision kept.

- 7.5 Where the Tender value is at Level C and a sufficient number of suitable firms cannot be identified to Tender or have not Tendered approval must be sought from the DCE, CE or MT and at Level D approval from the appropriate Board, before proceeding with the Tender. The reasons and proposed actions must be discussed with the AD (CS) or the Procurement Manager and a record of the decision kept.

7.6 Advertising Requirements

- 7.6.1 Any Advert or Notice for a Quote or Tender opportunity must set out details of the proposed procurement. Adverts/Notice must clearly:
- Describe the required goods, services or works and the scope of the Contract.
 - State what Firms will have to do to quote or to tender.
 - Invite Firms to complete the document(s) needed to register their interest or detail their ability to supply what is required.
 - State the submission process, contact details and the Closing Date for receipt of the response.
 - Summarise the criteria the Council will be using to evaluate responses and award the contract.

8 QUOTATIONS AND TENDERING

8.1 Before Tendering or Obtaining Quotes

- 8.1.1 Before seeking Quotation or Tenders the Procuring Officer and/or Senior Officer must:
- Satisfy themselves that the Council does not already have a Contract in place for supplying the required goods, services or works.
 - Decide if there is a case for an Exemption from the requirements for competition (Section 6).
 - Decide if the potential works or services could be carried out or supplied by, or assistance is need from, another division of the Council.
- (a) If the Supply-side Officer decides they want to submit a quotation or tender they will be included in the list of those to be invited.
- (b) If the Supply-side Officer decides they wish to carry out the contract, free from competition, and provided that they can demonstrate that this constitutes best value for money, then the contract will be carried out by that Officer; unless the Solicitor to the Council, in consultation with the Deputy Chief Executive determines otherwise.
- i. At Level C or above this arrangement must be documented and approved by the Supplying and the Procuring Senior Officer.
- Consider which legislation, guidance and Council Policy would be applicable to the requirement and with which compliance should, or must, be sought from the supplier and ensure it is referenced in the specification and subsequent contract.
 - i. This includes an accompanying declaration confirming the tendering organisation's compliance with the principles of the Bribery Act 2010

and their willingness to respond to any reasonable due diligence enquiries made by or on behalf of NWBC.

- Be satisfied that a specification has been prepared.
- Prepare or approve an Estimated Overall Value for the whole life of the contract, including, if appropriate, any maintenance costs.
- Ensure there is adequate approved budget.
- For Tenders (Level C and above)
 - (a) Have decided the preferred Procurement Route and Form of Contract or supply arrangement.
 - (b) Agree a Procurement/Contract Reference with Procurement

8.2 Determining the Evaluation Process and Selection and Award Criteria

- 8.2.1 The Procuring Officer must decide on the process, the selection criteria, the award criteria and the relative weightings that will be used to shortlist firms and evaluate tender responses and ultimately select a successful tenderer(s) and award a contract before issuing a Prequalification Questionnaire (PQQ), Invitation to Quote (ITQ) or Invitation to Tender (ITT).
- 8.2.2 Whenever possible and for procurements at or above Level C (Tenders) the selection criteria, award criteria and weighting must be documented and agreed with the appropriate Senior Officer and published at the time of the Invitation to Tender.
- 8.2.3 Selection criteria must focus on the company's ability to deliver the requirement.
- 8.2.4 Award criteria must be designed to secure an outcome which gives best value for money for the Council. The basic award criteria are:
- "lowest price" where a payment is to be made by the Council.
 - "highest price" where a payment is to be made to the Council
 - "Most Economically Advantageous" where considerations in addition to price and quality apply.
- 8.2.5 If the award is to be made to the Most Economically Advantageous offer then the criteria that demonstrate this, and the relative weighting to be used, will be determined based on the specific needs, features and risks associated with the individual procurement exercise. The table below gives some example criteria and their suggested maximum weighting.

Table 2 – Example Criteria and Suggested Maximum Weighting

Criteria	Maximum Weighting	Notes
Cost	Up to 80%	Costs will be assessed for total Contract life based upon the lowest price received.
Quality	Up to 80%	Quality will be subjectively assessed in terms of performance against specification by relevant and

		competent Officers
Delivery	Up to 20%	Delivery will be assessed in terms of warranties, guarantees, and penalties against delivery to the Council's schedule.
Social Considerations	Up to 40%	<u>Relevant</u> Social Considerations can be included in the assessment. Consult Procurement before use.
Environmental Impact	Up to 10%	A subjective assessment of the possible environmental consequences of the goods and services tendered.
Compliance	Some may be Mandatory	Compliance in accordance with legislation and relevant Council Policy will be considered. If there are no fully compliant responses the Procuring Officer may judge relative compliance for none Mandatory criteria.

- 8.2.6 The differences between selection criteria and award criteria and the need to separate the two stages and not duplicate criteria can be complex. The Procurement Team should be consulted for advice.

8.3 Electronic Procurement

- 8.3.1 The Council may run any Quotation or Tender by electronic means and make available or request the return of documents via the Council's Website and email or an approved e-tendering solution.
- 8.3.2 Electronic documents will be kept securely under the control of the Assistant Director (Corporate Services) and not opened until the deadline for receipt has passed.
- 8.3.3 The Council may participate in on-line Auctions or reverse auctions as part of a Procurement process. The Procuring Officer must ensure the specification and award criteria are appropriate and the Council's commitment to any Firm is dependent upon their satisfying relevant criteria and obligations under these Contract Standing Orders.
- 8.3.4 Procuring Officers may use on-line auctions for purchases valued at Level A or below provided they have sufficient quotes, are able to prove best value for money, can obtain a VAT invoice from the supplier and they have checked the terms and conditions of supply and return. A pre-established Council user identity must be used to make purchases and payment must be made using a Council purchase order or Council payment card.

9. EUROPEAN UNION TENDERING PROCEDURES

- 9.1 This Contract Standing Order applies to high value contracts expected to be at or over the EU thresholds (see Table 1)
- 9.2 The Procurement Team must be consulted well in advance of any planned EU level procurement to ensure compliance with the most up to date Public Procurement Legislation and Directives and the timescales and procedures dictated.
- 9.3 Contracts to which the EU rules apply will be awarded in accordance with those rules and by means of currently approved procedures: -

- Open Procedure – A single stage process, usually used when only a small number of Tenderers are expected to respond.
- Restricted Procedure – A two stage process involving qualification and tendering. Usually used when a large response is expected.
- Negotiated Procedure – Usually used for complex tenders where neither of the above is suitable.
- Competitive Dialogue – For highly complex tenders where the other procedures are not suitable and a solution cannot be easily identified.

10 COUNCIL TENDERING PROCEDURES

- 10.1 **These Contract Standing Orders apply to Tenders with an Overall Estimated Value of Level C or above, but below EU thresholds (or if Public Contract Regulations do not apply).**
- 10.2 The Procuring Officer will ensure that:
- Authority to Tender has been obtained and that the appropriate Tender procedure has been selected.
 - That relevant Evaluation and Tender documentation has been prepared in terms of the specification of requirements, selection / award criteria and with regard to compliance with relevant Council Policy.
- 10.3 The Council's Tendering Procedures are based on Legislation and EU Public Procurement Rules as they are regarded as good practice. Whenever possible an Open or Restricted Tender Procure should be used.
- 10.4 The Procuring Officer will produce an Advert/Notice briefing Firms of the Council's requirements (see Section 7.6).

10.5 Open Tendering Procedure

- 10.5.1 The Open Tendering Procedure operates as follows:
- (1) The Procuring Officer will advertise in accordance with Table 1 for Firms to submit an Expression of Interest or respond to an Invitation to Tender by a specified date.
 - (2) The Procuring Officer can contact Firms and invite them to respond.
 - (3) All Firms that express an interest will be invited to submit a response to an Invitation to Tender.

10.6 Restricted Tendering Procedure

- 10.6.1 The Restricted Tendering Procedure operates as follows:
- (1) The Procuring Officer will advertise in accordance with Table 1 for Suppliers to submit an Expression of Interest or Pre-Qualification Questionnaire by a specified date.
 - (2) The Procuring Officer can contact Firms and invite them to respond.
 - (3) Firms expressing interest will be provided with a Pre-Qualifying Questionnaire (PQQ) or specific qualifying questions as part of a two stage ITT prepared by the Procuring Officer. The Procuring Officer shall also

prepare the assessment criteria, which must focus on the financial and technical ability of the organisation to fulfil the contract.

- (4) All PQQs or ITT's will be reviewed and evaluated by at least two relevantly skilled staff, one of whom should be the Procuring Officer. A shortlist which recommends at least the required number of shortlisted Firms (Table 1) will be provided to the appropriate Senior Officer for their agreement.
- (5) At least the required minimum number of Firms will be invited to submit a response to an Invitation to Tender, if a PQQ has been used, or taken on to a second stage of evaluation if a two Stage ITT has been completed.

10.6.2 The Council can use properly established and maintained pre-qualification services such as Construction-Line. The use of such service should not disadvantage other suppliers and in general pre-qualification services and Approved Lists will not be used.

10.7 Negotiated Tendering Procedure or Competitive Dialogue

10.7.1 Public Contract Regulations/EU Rules provide two additional Procurement Procedures; a Negotiated Procedure and Competitive Dialogue. These and any other Procedures developed in the future will only be used in exceptional circumstances and in consultation with the Procurement Team.

11 SUBMISSION, RECEIPT AND OPENING OF TENDERS AND QUOTATIONS

11.1 Submission and Receipt of Quotations.

11.1.1 Written quotations (Level A and B) must be kept by the appropriate Procuring Officer and details of verbal quotations should be documented; both should be made available, on request, to the appropriate Budget Holder, Senior Officer or Member of the Procurement Team.

11.2 Submission of Tenders

11.2.1 Every Invitation to Tender must tell the Tenderer how, when (date and time) and where to submit their response. Tenders must be returned to the Council in one of the following ways:

- (a) Sealed in an envelope provided, or specified, by the Council and which does not bear a name or any mark which would identify the sender
- (b) By submitting it electronically to the advised e-mail address or via a specified website link.

11.2.2 The contract award criteria will be summarised in the Invitation to Tender. The Council does not bind itself to accept the lowest or any tender.

11.2.3 The Council's Terms and Conditions form part of the Tender documentation and the Firm will be informed how they will apply to the award of the Contract.

11.3 Receipt, Opening and Registration of Tenders

11.3.1 Tender envelopes shall be numbered and marked with the time and date of receipt and kept unopened in the custody of the Assistant Chief Executive & Solicitor to the Council (SttC) until their scheduled opening.

- 11.3.2 Tenders not received in the manner and timescale specified by the Council will be rejected and the sender informed of the reason for rejection.
- 11.3.3 Tenders shall be opened at one time in the presence of either the Leader of the Council or one of the Deputy Leaders and the Assistant Chief Executive & SttC or his/her representative.
- 11.3.4 The Assistant Chief Executive & SttC or his/her representative must, at the time the tenders are opened, record:
- (1) the title of the contract or the description of works, goods or services.
 - (2) the date of the opening of a tender;
 - (3) record details of all persons present at the opening of tenders;
 - (4) the name of each Firm submitting a tender;
 - (5) the date and time of receipt of each tender if available;
 - (6) the amount of each tender where appropriate;
 - (7) the reason for any disqualification of any tender;
 - (8) the name of Firms invited to tender but which did not submit a tender;
 - (9) The Assistant Chief Executive & SttC or his/her representative shall ensure that the page(s) of the Tender document which contain the ultimate prices is signed and dated by the Councillor.

11.4 Alterations to Tenders, Abnormal Tenders and Post Tender Negotiations

- 11.4.1 No alteration of any Tender will be allowed after the date and time specified for the receipt of tenders, except:
- (1) Alterations - Where typographical or arithmetical errors or discrepancies are found. The Tenderer can be given an agreed period to confirm or correct the error or to withdraw the Tender.
 - (2) Abnormal Tenders - If the Procuring Officer believes a Tender to be abnormal given the requirements, the Overall Estimated Value or in comparison with other tenders. The Tenderer may be asked to clarify its Tender or parts of it.
 - (3) Post Tender Negotiation – Discussions with Tenderers after the submission of a Tender and before award with a view to obtaining adjustments in price, delivery or content must only take place in consultation with Legal Services and the Procurement Manager and in exceptional circumstances such as where the lowest tender received exceeds the approved budget. In circumstances such as this:-
 - (a) An exception may be authorised by a member of MT or by a Board to which the power of making contracts has been delegated.
 - (b) The appropriate Senior Officer or the Procuring Officer may contact tenderers to discuss adjustments in rates, prices or terms but only on the basis of a change to quantities or scope. Negotiations must be documented.
 - (c) There must be no disclosure as to which Tender is currently the lower or the margin(s) involved.

(d) The tenderers taking part in this process are required to submit their revised prices or terms to the Council in the manner set out in paragraph 11.2 and revised offers will be opened in accordance with paragraph 11.3.

(4) Qualified Tenders – When all tenderers are unable to meet the specification the Procuring Officer can discuss submissions with all Tenderers with a view to obtaining acceptably qualified tenders. This must only take place in consultation with Legal Services and the Procurement Manager.

11.4.2 Should these measures not deliver a Tender within the cost limits or where they result in a fundamental change to the specification or contract terms the procedure will be terminated and no contract awarded.

12. SELECTION AND CONTRACT AWARD

12.1 Accepting Quotations

12.1.1 The assessment of Quotations should be carried out by the appropriate Officer or Procuring Officer. Purchases and Contracts will be made via the Council's Purchase Order system using its Purchase Order Terms and Conditions.

12.1.2 Decisions on the acceptance of quotations will be taken as follows: -

Table 3 – Quotations (£0 - £45,000)	
Circumstance	Acceptance by:-
(a) Level 0 (£0 - £1,500) - Lowest or most economically advantageous quotation provided that it represents best value for money.	Officer & Order approved by the Appropriate Budget Holder or Authoriser.
(b) Level A (£1,501 -£10,000) and Level B (£10,001 - £45,000) - Lowest or most economically advantageous quotation provided that it represents best value for money.	Procuring Officer & Order approved by the Appropriate Budget Holder or Authoriser and at Level B agreed by the Senior Officer.
(c) A quotation other than the lowest or most economically advantageous received or in any other circumstances	Appropriate Senior Officer in consultation with the Deputy Chief Executive.

12.2 Evaluating and Accepting Tenders

12.2.1 Where the Contract value is at Level (C) or above; the assessment of Tenders should be led by the Procuring Officer and must involve at least 1 other person with the appropriate skills and knowledge.

12.2.2 The Tenders must be evaluated and scored using the process, criteria and weighting set prior to Tender.

- 12.2.3 Before a Tender can be accepted the Procuring Officer must ensure that the Deputy Chief Executive has approved the financial standing of the Firm to which it is proposed to award the contract, in accordance with Financial Regulations.
- 12.2.4 Decisions on the acceptance of Tenders for works, goods or services will be taken as follows:

Table 4 – Tenders (£45,001 & over)	
Circumstance	Acceptance by
(a) Lowest or most economically advantageous tender, provided that it represents best value for money and does not exceed the Overall Estimated Value or Approved Budget.	<p>Level C - Procuring Officer and approved by the Budget Holder and/or Appropriate Senior Officer.</p> <p>Level D and Above – Senior Officer and approved by the Chief Executive or Deputy Chief Executive who will consult with the Leader of the Council or a Deputy Leader</p> <p>* The Chief Executive or Deputy Chief Executive may refer any decision on acceptance of a Tender to a Board.</p>
(b) A tender other than the lowest or most economically advantageous tender received, provided that it represents best value for money or in any other circumstances.	<p>Appropriate Board</p> <p>* A written report must be submitted to the appropriate Board detailing the decision and the supporting data (e.g. Evaluation Criteria and scoring).</p>

12.3 Tenderer Notification and Standstill Period

- 12.3.1 Once the decision to award a contract is made each Tenderer must be notified in writing of the outcome of the tender process including details of the award criteria, their performance against the criteria and the name of the successful tenderer.
- 12.3.2 For Tenders over EU Thresholds there must be a “standstill” period between the notification and signing the contract and/or raising of an order. This is ten days, but can vary if a debrief is sought by a Tenderer in which case the Procurement Manager will advise on the current standstill period and process.
- 12.3.3 For Tenders below EU Thresholds a “voluntary standstill” period is good practice and can help prevent future challenge. The Council uses a 10 day period between notification and contract signing.

12.4 Nominated or Named Sub-Contractors and Nominated Suppliers

- 12.4.1 This Contract Standing Order applies where a sub-contractor or a supplier is to be nominated to an existing main contractor or contract.
- (1) Where it is not reasonably practicable to obtain competitive tenders, the appropriate Senior Officer may nominate or agree the nomination of a Sub-Contractor or supplier.

- (2) Where competitive quotes or tenders are available, then dependent on the estimated value of the sub-contract or the estimated value of goods or materials to be supplied by a nominated supplier, tenders or quotations must be invited.
- (3) The terms of any invitation for nominated sub-contractors or suppliers must require that, if selected, the Firms would be willing to enter into:
 - (a) A contract with the main contractor on terms which indemnify the main contractor against the main contractor's own obligations under the main contract in relation to the work and goods or materials included in the subcontract; and
 - (b) An agreement to indemnify the Council in such terms as may be prescribed.
- (4) The provisions of Contract Standing Orders relating to the submission of quotes or tenders; their opening and registration; late tenders; alterations to tenders; and tender acceptance apply to this Contract Standing Order.

13. CONTRACTS AND TERMS

- 13.1 Before entering into a contract with any Firm, the appropriate Senior Officer must:-
- (1) Be satisfied about the selection, capability and financial standing of the Firm.
 - (2) Ensure that these Contract Standing Orders have been complied with and that the proposed contract represents best value for money.
 - (3) Ensure the successful Firm has been made aware of and has confirmed compliance with the legislation, regulation and Council Policies applicable to the Contract.
 - (4) Be satisfied that reasonable and proportionate due diligence enquiries have been carried out to ensure Bribery Act compliance.
 - (5) Be satisfied that successful and unsuccessful tenderers have been informed of the decision and that any standstill period has been properly observed.

13.2 Orders and Contracts

- 13.2.1 Where the Contract Price of a procurement is valued at Level A or less, the works, goods or services to be supplied will be purchased using a Council Purchase Order or a procurement card payment and must be approved by the Budget Holder.
- 13.2.2 Where the Contract Price is at Level B the works, goods or services to be supplied will be purchased on the basis of a duly signed contract and/or a Council Purchase Order approved by the appropriate Budget Holder and/or Senior Officer.
- 13.2.3 Unless the Solicitor to the Council decides otherwise, every contract must be in writing and every contract with a value of Level C or above must be in a form prepared or approved by the Solicitor to the Council,
- 13.2.3 Contracts at Level D and above must be under seal. The appropriate Senior Officer must liaise with the Solicitor to the Council and decide if it is appropriate to Seal a contract priced at below Level D if:
- The Council may wish to enforce the Contract more than 6 years after its end.

- The price paid or received is a nominal one and does not reflect the true value of the goods or service.
- 13.2.4 The Council's Purchase Order Terms and Standard Contract Terms and Conditions are available on the Internet. If these are not used the Procuring Officer or Senior Officer must ensure that the contract used covers those sections and topics detailed in the Standard Contract and that it is approved by Legal Services before signing or sealing.
- 13.2.5 At the Senior Officers discretion and for all Tenders over Level D the Procuring Officer must consult with the Deputy Chief Executive to determine if the Contract is to include Parent Company Guarantees, Bonds or Liquidated Damages.

13.3 Using other Organisations Contracts

- 13.3.1 The Council may choose to use Contract terms other than its own, if the Senior Officer determines the needs of the Council can be met. This can be efficient, reducing contracting activity, and may include the following types of Contracts:
- (1) ICE (Institute of Civil Engineers) and JCT (Joint Contracts Tribunal) Contracts and Agreements and NEC Contracts.
 - (2) Contracts established by organisations with the legal remit to award public contracts such as Professional Buying Organisations e.g. ESPO.
 - (3) Contracts tendered and awarded by Government or public sector organisation, which are open to Local Government or this Council, provided they have been let compliantly, legally and under their CSOs.
- 13.3.2 It is the responsibility of the Procuring Officer or Senior Officer to ensure that such Contract terms are appropriate and that the Solicitor to the Council has had the opportunity to review any Contract and decide if such a Contract is applicable and acceptable to the Council.
- 13.3.3 If necessary, it is the responsibility of the Senior Officer to negotiate modifications to the Contract to properly represent the requirements of the Council. Any substantive change must be agreed with the Solicitor to the Council.

13.4 Variances to Terms and Conditions

- 13.4.1 Any variations to the Council's Standard Contract Terms and Conditions submitted by Firms shall not be accepted without advice from the Solicitor to the Council.
- 13.4.2 Payment arrangements other than the Council's normal payment terms e.g. "payment on delivery" must be discussed with and agreed by the Deputy Chief Executive.

13.5 Contract Disputes

- 13.5.1 The Council will within its Contracts identify a Dispute Resolution Process. The principles of such will be to establish mutually acceptable resolution of any dispute; to maintain good working relations and avoid lengthy and costly delays for all parties.

14 USING CONTRACTS

14.1 Placing Orders

-
- 14.1.1 Where there is a need and within approved budgets Officers may raise Orders, for approval, against Contracts which have been entered into by the Council.
- 14.1.2 To purchase goods, services or works Orders must be raised using the Council's Procurement System (TOTAL) and approved by the Budget Holder, unless;
- (1) Financial Regulations state that Orders do not need to be raised for a specific type of spend e.g. Utility payment, Rent.
 - (2) A Procurement Card or Council Approved Card is used for a low value purchase.

14.2 Authorising Payment

- 14.2.1 In accordance with Financial Regulations, and within approved budgets and where relevant Contract Price, Authorised Officers or Budget Holders may authorise payments of invoices raised by a Supplier against a Council Order or Contract, on the following conditions:
- (1) That the Council has a duly authorised Goods Receipt Note to match against the order and invoice; or
 - (2) That the Procuring Officer has authorised payment against the satisfactory delivery of a service or schedule of services; or
 - (3) That it represents an agreed stage payment, provided that the Procuring Officer can determine and demonstrate that the stage has been reached; or
 - (4) That it is a retained payment, now due; or
 - (5) That a Senior Officer authorises payment.

14.3 Variations within Contracts

- 14.3.1 All Variations must be in the form of written instruction to the contractor. The validity and likely cost effect of each variation should be assessed before the issue of the instruction to proceed.
- 14.3.2 If the variation is valid and its cost can be contained within the Contract Price and Approved Budget the instruction may be approved by the Contract Officer or Procuring Officer at Level B and below and by the relevant Senior Office at Level C and above.
- 14.3.3 Any variation, which will result in the Approved Budget being exceeded by £5,000 or 10% of the contract sum (whichever is the greater) must be reported to the appropriate Board by the Senior Officer in accordance with Financial Regulations.
- 14.3.4 If the variation would cause the Contract Price to be exceeded, but is within the tolerance defined in Financial Regulations (£5,000 or 10% of the contract sum), the Senior Officer should liaise with the AD (Finance and HR) to establish how any overspend could be contained within Approved Budgets. If alternative funding cannot be found, the appropriate Board will need to submit a supplementary estimate request to Executive Board.
- 14.3.5 In cases when a variation is urgent and requires immediate action the instruction may be issued by the appropriate Senior Officer without prior written costing. If there is any expectation that the variation could result in the Contract Price being exceeded by £5,000 or 10% of the contract sum the appropriate Officer must

should consult the Chief Executive with regard to use of his emergency powers. Details of the cost of the variation or overspend and the reason(s) for it, must be reported to Board as soon as practicable in accordance with Financial Regulations.

14.4 Adjustments and Extensions to Contracts

- 14.4.1 Where the timing of any Contract changes for reasons beyond the control of the Procuring or Contracting Officer, a Contract may be lengthened or adjusted with the approval of the appropriate Senior Officer. Such discretion is to recognise the efficiency in procurement in situations where issues pull forward or delay a particular programme of expenditure.
- 14.4.2 Where the scope of any Contract changes the Procuring Officer must carry out an assessment to determine if the change would have impacted on the Tender and its outcome. Such discretion is to recognise adjustments to account for minor changes to scope and efficiency in procurement where identical or equivalent goods or services are required, but these must not result in material changes.

14.5 Emergency Orders

- 14.5.1 Where an emergency demands a response outside the practical timescales of these Contract Standing Orders, the Procuring Officer, in liaison with a Senior Officer, is authorised to set aside requirements for tendering and competition, working if at all possible within an existing Contract or with an existing Supplier. Action under this Contract Standing Order will be made complaint with Exemption to Contract Standing Order (Section 6) soon as possible.

15 DISPOSAL OF ASSETS

- 15.1 Assets including property, vehicles, equipment, furniture, stocks or stores which are no longer required or needed for re-use should be disposed of in accordance with the law, Financial Regulations and any Council Protocol for Disposal of Assets.
- 15.2 Low value items Level A or less may be disposed of by written bid/quotation, auction or by electronic auction. Where an electronic auction site is used the placement and sale must be through a Council, not a personal, account. The Assistant Director (Finance and HR) should be informed of disposals.
- 15.3 Where assets for disposal are valued at Level A and above (see Table 1) the relevant Senior Officer must give approval for the disposal; at Level C and above approval must also be given by the Deputy Chief Executive.
- 15.4 The method of disposal for assets valued at Level B or above should be by written tender or quotation following the processes laid out in sections 10 -13. The Assistant Director (Finance and HR) must be informed of these disposals to ensure the Council's Asset Register is maintained.
- 15.5 Tenders or Quotations received for the disposal of assets will be awarded on the basis of the "Highest" or most economically advantageous offer.

16 LAND TRANSACTIONS

- 16.1 This Contract Standing Order applies where there is a land transaction. With the exception of Sections 1, 2, 3 and 4 none of the Council's other Contract Standing Orders apply to land transactions, unless otherwise stated in this section.

16.2 Approval of Major Disposals

- 16.2.1 The method of each major disposal must be approved by the Solicitor to the Council or the Resources Board as appropriate. When determining such matters the Solicitor or Board shall:
- (1) specify the land to be disposed of;
 - (2) confirm that the land has been declared surplus to Council's requirements;
 - (3) advise upon the proposed method of disposal and set out the reasons for selecting that method;
 - (4) in matters where the Council must achieve best consideration, confirm that the proposed method of disposal which has been selected, is most likely to achieve this; and
 - (5) in matters where it is proposed that the disposal should be for less than best consideration, give reasons for and against seeking best consideration and, specify the relevant legal powers of the Council to accept less than best consideration.
- 16.2.2 The principal terms of major disposals (except where the approved method of disposal is by auction) must be approved by the Council on the recommendation of the Resources Board. When determining such matters, the Board shall ensure, after considering advice from the Council's Valuer, either that the consideration agreed represents best consideration, or following advice from the Solicitor to the Council that the Council has the relevant legal powers to accept less than best consideration.
- 16.2.3 In major disposals where the approved method of disposal is the inviting of formal tenders or informal offers, the disposal must be advertised on the Council's Website and in at least one local, national or specialist newspaper or publication, as determined by the Solicitor to the Council, after consultation with the Council's Valuer. Tenders shall be submitted in accordance with the Council's Tender Procedures.

16.3 Dealing with formal tenders and informal offers

- 16.3.1 Tenders and offers shall be opened at one time in the presence of either the Leader of the Council or one of the Deputy Leaders and the Solicitor to the Council or his/her representative. The names of tenderers and/or offerors, and the amounts of tenders/offers shall be recorded in a register kept by the Assistant Chief Executive & Solicitor to the Council. Persons present at the opening of tenders/offers shall record their presence by signing the register against the specified details. Alterations/errors in tenders/offers and late or otherwise invalid tenders/offers shall be dealt with in consultation with the Solicitor to the Council.

16.4 Disposals by Auction

- 16.4.1 In disposals where the approved method of disposal is by auction, the auction shall be conducted by the Council's Valuer, if he/she is a practising Auctioneer. Where this is not the case, at least two practising auctioneers must be invited to provide a written quotation as to commission and additional costs, and the lowest quote must be selected by the Solicitor to the Council.

- 16.4.2 A “reserve price” must be set by the Solicitor to the Council, in consultation with the Council’s Valuer or selected auctioneer. The reserve price must be disclosed only to the auctioneer and the Council’s legal officer attending the auction.

16.5 Approval of Land Transactions other than major disposals

- 16.5.1 The principal terms of land transactions other than major disposals (except where the method of disposal is by way of auction) must be approved by the Solicitor to the Council or the Resources Board, as appropriate. When determining such matters, the Solicitor or Board shall consider the proposals in an agreed format confirming either that the consideration agreed represents best consideration, or following consultation with the Solicitor to the Council that the Council has the relevant powers to accept less than best consideration.

16.6 Application of the Property Procedures

- 16.6.1 All land transactions must be conducted in accordance with the property procedures.

16.7 Formalities

- 16.7.1 All contracts and other documentation entered into pursuant to all land transactions shall be in writing, and shall be signed or sealed, as appropriate.

16.8 Accepting Tenders for the Disposal of Land, Property and other Marketable Assets.

- 16.8.1 Decisions on the acceptance of tenders for the disposal of land, property and other marketable assets will be taken as follows: -

Table 5 – Disposal of Land, Property and Assets	
Circumstance	Acceptance by
(a) The highest tender, provided that it is considered to be in the Council’s interests, after taking professional advice.	The Chief Executive, (or in his absence the Solicitor to the Council) after consultation with the Leader of the Council or one of the Deputy Leaders
(b) A tender other than the highest received, provided that it is considered to be in the Council’s interests; is in accordance with statutory requirements; and a written report has been submitted to the appropriate Board by the relevant Senior Officer.	Appropriate Board
Any other circumstances	Appropriate Board

APPENDIX 1 - GLOSSARY

Authorised Officer	An Officer of the Council with authority to raise a purchase order or purchase within an existing Contract and their delegated authority.
Authority to Tender	Means there is approved budget and a need has been established in an agreed Service or Strategy Plan or approval has been sought and given by Management Team (MT) or if required a Board.
Best consideration	Legal obligation upon the Council to achieve a consideration which is the best that can reasonably be obtained.
Bribery	Giving someone a financial or other advantage to encourage that person to perform their functions or activities improperly or to reward that person for having already done so.
Contract	Agreement between the Council and a Firm for the carrying out of work, or for the supply of goods or services. Such agreement may be made by Contract, Purchase Order, Procurement Card or other approved method.
Contractor	A firm with which the Council enters into a Contract.
Contract Officer	An Officer who has been given specific responsibility by a Senior Officer or Budget Holder to manage a Contract once established.
Contract Price	The price at which the successful Tenderer has agreed to provide the goods, works or services.
Corruption	Offences defined by the Bribery Act 2010 which makes offering or accepting a bribe a criminal offence.
Corporate Contract	A contract which has been set up as the means of purchasing specific goods, services or works by all Officers.
Council	Any of the following acting under delegated powers: A Board, Committee, Panel, Area Forum, Joint Committee or Senior Officer.
Deputy Leader	The Chairman of the Resources Board, of the Community and Environment Board or of the Planning and Development Board.
Firm	A sole trader, partnership or company or any duly incorporated trade, professional, commercial or voluntary body.
Land transaction	The acquisition or disposal of, or other dealing with land whether or not buildings, plant and equipment, fixtures and fittings, or other assets are included in that transaction.
Leader of the Council	The Chairman of the Council's Executive Board.

Major disposal	A land transaction (not under Right to Buy provisions) which consists of a disposal of the freehold where the consideration exceeds £52,000 or the grant of a lease where the rent exceeds £21,000 per annum or where the premium exceeds £52,000.
Officer	An employee of the Council.
Order	Order placed by the Council usually to its own terms and conditions.
Overall Estimated Value.	The estimated total of all the cost associated with the goods, services or works being procured over the number of years the contract is expected to operate.
Partnership	A form of Contract between the Council and any Firm that includes some form of arrangement for sharing risk and/or reward in addition to the usual considerations for payment
Procuring Officer	An Officer who has been given responsibility by a Senior Officer or Budget Holder to run procurement exercises (Quote or Tender) and who may be required to establish and manage Contracts.
Professional Buying Organisation	An organisation which is legally able to procure and establishes contracts on behalf of the public sector.
Quotation	A formal verbal or written offer to supply or purchase goods or services or to carry out work where the Overall Estimated Value is expected to be low.
Senior Officer	The Chief Executive, the Deputy Chief Executive, an Assistant Chief Executive or an Assistant Director or equivalent post.
Social Considerations	The additional benefits to the community over and above the direct benefits of purchasing the goods or services.
Supplier	A Firm with whom the Council has entered into a Contract for the supply of goods and services.
Tender	An offer from a Firm to provide goods, services or works required at a specific cost or rate following a Tendering Process.
The property procedures	The procedures adopted by the Solicitor to the Council from time to time, in consultation with the Deputy Chief Executive.
Written or "in writing"	Includes paper and electronically transmitted documents in a format defined or approved by the Council.
Whole life cost	All the costs associate with buying a good, service or work and can include, planning, design, construction and acquisition, operations, maintenance, cost of finance, purchase and disposal cost.

Agenda Item No 11

Executive Board

Local Audit Bill

Report of the Deputy Chief Executive

11 September 2012

1 Summary

- 1.1 During July, the Department of Communities Local Government (DCLG) published a draft Local Audit Bill. Consultation on the Bill closed on 31 August 2012. This report outlines the proposals and attaches the Authority's response, which was agreed with the Leader of the Council and the Deputy Leader of the Conservative Group.

Recommendation to the Board

That the response be noted.

2 Consultation

- 2.1 Councillors Mick Stanley and Les Smith have been sent an advanced copy of this report for comment. Any comments received will be reported verbally at the meeting.

3 Report

- 3.1 Attached at Appendix A is a copy of the Council's response to the draft Bill.

4 Abolition of the Existing Regime

- 4.1 Part 1 of the draft Bill abolishes the Audit Commission and repeals the Audit Commission Act 1998. It makes provision for the transfer of the Audit Commission's assets, rights and liabilities on closure. A firm date for the abolition of the Audit Commission is not specified, but the draft Bill includes a provision to transfer any audit contracts that are still running to a new body. Current contracts run until 2017 (with the provision of possible extension to 2020).
- 4.2 Local bodies themselves will be responsible for appointing their own external auditor.

5 Basic Concepts and Requirements

- 5.1 Part 2 of the draft Bill sets out the general accounting and audit requirements for local public bodies. A clear distinction is made between the accounting

records that must be maintained during the year and the annual financial statements.

- 5.2 Smaller public bodies are subject to a less onerous audit regime. The draft Bill confirms the government's intention to define "smaller" as those with an annual turnover (i.e. income or expenditure) of less than £6.5 million threshold for three consecutive years.

6 **Appointment of Auditors**

- 6.1 Part 3 of the draft Bill sets out the appointment framework for auditors. The audited body will have to take into consideration the advice of an independent auditor panel before making the appointment of their auditor. The Bill makes it clear that the appointment of an auditor must be made by full council and cannot be delegated to any executive function.

- 6.2 The appointment must be made at least every 5 years and existing auditors may be re-appointed. Appointments may be made for more than one year and there is no requirement for incumbent auditors to step down after 10 years as was contained in the original consultation document. The impact assessment notes that existing ethical standards published by the Financial Reporting Council already cover issues of long association and so there is no need to specifically require auditors to regularly step down from local public audit work.

- 6.3 The auditor panel must consist of a majority of independent members and must have an independent chair. To be classified as independent, a panel member must not have been a member or officer of the body within the last five years and must not at that time be a relative or close friend of a member or officer of that body.

- 6.4 Provided that the body's current Audit Committee (or equivalent) meets the independence criteria, it can fulfil the function of the auditor panel. Bodies can share independent panels should they so wish.

- 6.5 The auditor panel has three functions set out in legislation. These are:

- To advise on the appointment of an auditor;
- To advise the local body on the maintenance of an independent relationship with the auditor; and
- To advise on proposals for a public interest report.

- 6.6 Bodies will be able to delegate additional functions to the auditor panel if they so wish. The legislation also includes powers to prepare guidance to be issued on the role and practical operation of the panel.

- 6.7 The auditor panel must act in a transparent manner and the draft Bill requires that all appointments are publicised together with the advice given by the panel and the reasons why the local body chose not to follow the advice given where relevant.

- 6.8 The draft Bill includes the provision for the Secretary of State to make regulations regarding the resignation or removal of an auditor. However, it is envisaged that the auditor will be required to make a statement explaining their reasons for their resignation to the audited body and the auditor panel and the auditor's supervisory body. The local body would then be required to publish a response.
- 6.9 In the case of removal, the local body would be required to give notice to both the auditor and the auditor panel, including a statement of reasons. The auditor will be able to respond to this statement, with the response considered by the auditor panel. The decision to terminate the appointment of the auditor will also be subject to the advice of the auditor panel.

7 Eligibility and Regulation of Auditors

- 7.1 This section considers how providers of audit services to local public bodies will be registered and regulated to ensure that they have the necessary skills, qualifications and experience to carry out local public audit work.
- 7.2 The draft Bill provides powers for the Secretary of State to authorise the professional accountancy bodies to act as recognised supervisory bodies for local public audit. In practice, the Secretary of State will delegate these powers to the Financial Reporting Council, who will be able to authorise the professional bodies to act as supervisory bodies.
- 7.3 The role of the supervisory bodies will be to put rules and practices in place to cover:
- The eligibility of firms to be appointed as local public auditors;
 - The qualifications, experience and other criteria that individuals must have before being permitted to carry out an audit of a local public body and sign off an audit report; and
 - Arrangements for monitoring the quality of audit work by member firms. In particular, the Financial Reporting Council will have responsibility for monitoring the quality of "major audits", but a definition of this term has yet to be prepared.
- 7.4 The Secretary of State will make regulations regarding the preparation and maintenance of a register of those firms and individuals eligible to undertake local public audit work and it is envisaged that the register itself will be held by "one or more of the recognised supervisory bodies".
- 7.5 The draft Bill requires an auditor to ensure that they are independent of the audited body and cannot be a member or officer of that body, or an officer or employee of an entity connected with the body. This is further defined as an entity whose financial transactions are consolidated within the group accounts of the local public body. There will not be a criminal offence attached to lack of independence as in the Companies Act, but the audit panel will play a key role in maintaining suitable auditor independence and will advise the audited

body on the maintenance of an independent relationship with their auditors at least once a year.

8 Conduct of Audit

- 8.1 The National Audit Office will replace the Audit Commission and become responsible for preparing detailed audit codes of practice. Any draft Code will be subject to consultation and laid before Parliament, where it will be passed after 40 days as long as there has been no resolutions against it. Any Code needs to be produced and agreed at least every five years.
- 8.2 Audit scope and outputs “will remain broadly the same as they currently are”. This includes the need to be satisfied that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- 8.3 Reports in the Public Interest and the right for local electors to be able to inspect, question, object and make copies of the statement of accounts, related records and the auditor’s report remain. In the case of objections, the auditor will have discretion to reject vexatious, repeated and frivolous objections.
- 8.4 The right of an auditor to apply to the court for a declaration on the lawfulness of an item of account and the right for an auditor to seek a judicial review of a decision of the audited body remains.
- 8.5 The draft Bill requires that any written recommendations made by the auditor at the conclusion of the audit should be considered by the Council within one month of their receipt. Publicity of the meeting needs to be given 8 days before the date of the meeting describing the subject matter of the recommendations. Summary of the decisions taken should then be published.
- 8.6 The Accounts and Audit Regulations will continue to be required and published from time to time.

9 Transferring the Audit Commission’s Data Matching Powers to Another Body

- 9.1 The draft Bill provides for the Audit Commission’s data matching powers to be transferred to the Secretary of State. It is intended that powers would then be delegated to the new operational owner of the National Fraud Initiative (NFI) and a number of options are identified including the National Fraud Authority, Department of Work and Pensions and the Cabinet Office.

10 Inspections, Studies and Information

- 10.1 The Audit Commission is currently winding down its programme of national studies. Remaining studies will focus on summarising the results of audits and on the materials drawn from the support and information provided to

auditors. For the future, “the Government would like to see a smaller, coherent and complimentary programme of value for money studies on local issues”. The National Audit Office currently envisages undertaking a small number (6 in 2014/15) of local studies and is committed work in collaboration with other agencies such as the Local Government Association and the Care Quality Commission.

10.2 The draft Bill gives new powers to the National Audit Office to undertake national “value for money” studies similar to those undertaken by the Audit Commission. In addition, the NAO is also given new powers to undertake studies for the purposes of identifying improvements that may be made by all English local authorities.

11 Report Implications

11.1 Finance and Value for Money Implications

11.1.1 There may be a need to pay an allowance to members of an independent audit committee.

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

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



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Your ref :
Our ref : CJB/PJW/Future of Local Audit

Date : August 2012

Future of Local Audit
Department for Communities and Local Government
3/J5 Eland House
Bressenden Place
London
SW1E 5DU

Dear Sir/Madam

Response to Draft Local Audit Bill

The Borough Council's response to the draft Local Audit Bill is as follows:

The Council welcomes the proposal that Councils should appoint their auditors. We acknowledge the need for appropriate safeguards to preserve the independence of audit. However, at the same time, we believe the new approach to audit must avoid becoming over regulated.

The requirement in Section 11 & 12 to have an independent auditor panel is excessive and unnecessary and runs contrary to the Government's agenda around devolution and localism. The regulatory framework that ensures only registered auditors can be appointed linked to external monitoring of the quality of audits is surely adequate. In addition, it is likely to be difficult to recruit the necessary number of independent individuals to serve on an audit panel.

The section of the draft Bill relating to reports and recommendations (Sections 63-72), whilst the Council understands and supports the proposed approach for dealing with public interest reports and significant recommendations, we are concerned that relatively routine recommendations could result in these processes being invoked. We therefore feel the Bill should differentiate between those recommendations that an auditor feels are significant and therefore warrant this approach and other routine recommendations, which can be considered by a Council's committee without the need for the publicity envisaged in the Bill.

cont'd/.....

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Finally, whilst we accept the need in Clause 94 to provide a power for the National Audit Office to undertake studies regarding the economic, efficient and effective use of resources by local government, we believe these studies should be limited and should not approach the levels undertaken by the Audit Commission.

Yours faithfully

Chris Brewer
Deputy Chief Executive

Agenda Item No 12

Executive Board

11 September 2012

Report of the Deputy Chief Executive

Business Rates Retention

1 Summary

- 1.1 The Department of Communities and Local Government (DCLG) has issued a further consultation paper on Business Rates Retention. This report summarises the consultation. Responses to the consultation are due by 24 September 2012 and seeks authority for the Deputy Chief Executive to agree the council's response with the two group Leaders.

Recommendation to the Board

- a The contents of the report be noted; and**
- b The Deputy Chief Executive agrees a response to the consultation paper with the two group Leaders.**

2 Consultation

- 2.1 Councillors Mick Stanley and Les Smith 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 The original consultation documents on the proposal to move to a business rates retention scheme by local authorities were reported to this Board in September 2011 (agenda item 20). Some further consultation documents have been received which give additional detail on how the system may work. The latest consultation document is divided into a number of sections, which are summarised below.

4 Establishing the Start-Up Funding and Baseline Funding Levels

- 4.1 This section looks at how the funding position will be established at the start of the business rates retention scheme in April 2013 for each local authority. The business rates retention scheme needs to operate within the Local Government spending control totals. The existing control totals have been revised down for the following:

- **Capitalisation** is the means by which Government exceptionally permits local authorities to treat revenue expenditure as capital. This gives some authorities the flexibility to help manage unavoidable revenue costs. £100m is to be held back to fund capitalisation.
- **Safety net** – The business rates retention scheme will include a safety net to protect authorities from significant reductions in their income. This safety net is funded by a levy on authorities who see their business rates grow in excess of inflation. The Government is concerned that in the early years the levy may not cover the safety net and is therefore proposing to take £250m out of the funding total to cover this.
- **New Homes Bonus** - £2 billion is to be removed each year to fund New Homes Bonus. In the early years this will be significantly more than is needed so the surplus will be returned to local authorities.

5 Updating Formula Grants

5.1 Each authority's start up funding allocation will comprise its share of the local business rate and its share of Revenue Support Grant (RSG). The allocation of this funding will be determined using an updated version of the formula grant process. Government is proposing to make some limited updates to the formula grant process. The ones affecting North Warwickshire are:

- Rural Services - Authorities have argued that rural areas are underfunded and the government has now accepted this. They therefore propose to increase the weighting to sparsity in the grant distribution formula. They have provided examples of the impact on 2012/13 grant figures if these changes had been in place. This shows North Warwickshire would have been benefitted by £100,000.
- Relative Needs and Resources - Formula grant is made up of 3 elements:

Relative Needs	£17,352m	83%
+ Central Allocation	£9,115m	43.6%
- Relative Resource	<u>£5,561m</u>	<u>(26.6%)</u>
Formula Grant	£20,906m	100%

The relative resource amount reflects an authority's relative ability to raise income from Council Tax and aims to ensure more grant is allocated to those authorities with a low Council Tax base. Historically, the resource amount has deducted 26.6% from grant, the proposal is to increase this to 31.3%. The size of the other blocks would need to increase to compensate for this change and the Government proposes to increase the central allocation. This change would not impact on our grant level in 2012/13 according to the government's exemplifications.

- Updating Data - When calculating each authority's start-up funding allocation, DCLG are proposing to update some data in the grant distribution formula. They will update population figures for the 2011 census. They will also use updated council tax base projections.

6 Other Grants to be Included in Business Rates Retention Scheme

6.1 A number of separate grants will be rolled into the business rates retention scheme from April 2013. This means that rather than being paid from Central Government, authorities will receive an amount equivalent to these grants through locally retained business rates. The grants that affect North Warwickshire are:

- 2011/12 Council Tax Freeze Grant. £593 million is to be transferred in 2013/14 and 2014/15 to pay for the effects of the 2011/12 council tax freeze.
- Council Tax Support Grant. £3,387 million is to be included.
- Homelessness Prevention Grant. £80 million is to be transferred in and will be distributed as at present.

7 New Homes Bonus

7.1 The Government intends to fund the bulk of New Homes Bonus from within the business rates retention scheme. New Homes Bonus payments are awarded for 6 years, it is therefore necessary that enough money is taken out of business rates to fund New Homes Bonus to 2020/21. This is estimated to be £2 billion in each of the next 7 years. In the initial years, £2 billion will be more than the cost of New Homes Bonus and the Government proposes to return the surplus to authorities in proportion to their baseline funding levels.

8 Setting up the Business Rates Retention Scheme

8.1 In order to set up the business rates retention scheme, the Government will need to establish an individual authority business rates baseline.

8.2 The first step is to estimate the total business rates that it expects local authorities to collect in 2013/14. This will be the total rateable value at 30 September 2012, plus the change in rateable value from 1 April 2012 to 30 September 2012, to give a national rateable value at 1 April 2013, plus a similar increase again to provide an estimate of the rateable value at 30 September 2013.

8.3 This notional rateable value will then be multiplied by the 2013/14 rate in the £ to produce a notional gross yield for 2013/14.

8.4 This, of course, means that any increase in rateable value between 1 April 2012 – September 2012 is assumed to be repeated over the following 12

months and could mean that authorities have to achieve business rates growth in order to stand still.

8.5 The gross yield is then adjusted to take account of:

- Small business rate relief
- Mandatory and discretionary reliefs
- Cost of collection
- Losses in collection
- City of London offset
- Losses on appeal

to determine the net yield.

8.6 In calculating losses on appeal, the government will look at historic differences between authorities' estimated NDR proceeds and their actual proceeds during the 5 year period to 2011-12. The concern here is that NDR proceeds will also include any growth in rateable value and therefore is likely to understate the cost of appeals.

8.7 Step 2 – Once the total estimated business rate is calculated, this will be split between the central and local share on a 50/50 basis.

8.8 Step 3 – The local share of the total estimated business rates will be apportioned between all billing authorities on the basis of their proportionate share. This will be based on the average business rates income for the period 2007-08 to 2011-12 subject to the following adjustments.

8.9 The 2010 revaluation shifted rates income amongst local authorities. Areas of London saw rises in rates income, whilst the Midlands saw a drop. There therefore needs to be an adjustment to reflect these changes.

8.10 In addition, so that authorities with a poor record of collection and large write offs do not benefit by having a lower share of rates income as their baseline, the Government proposes to reverse out the provision for bad debt.

8.11 Step 4 – The figure produced by step 3 will be further split between the billing authority (districts) and the County Council, to produce an individual authority business rates baseline. The split will be 80% District, 20% County.

8.12 Step 5 - Each authority's individual authority business rates baseline will be compared to its baseline funding level to determine tariff and top-up amounts. Where an authority's business rates baseline exceeds its baseline funding level, it will pay the difference to government as a tariff, where it is less, it will receive a top-up from Government.

9 The Operation of the Rates Retention Scheme Information Requirements

9.1 Council's will need to estimate the rates income they expect to collect in the following financial year and inform DCLG and the County Council initially by the end of December. This figure will need to be confirmed by 30 January after it has been signed off by the Council.

9.2 At the end of the financial year, Councils will need to set out the rates income they actually received. This figure will be used to determine whether any levy or safety net payments are due.

10 **Schedules of Payment**

10.1 The estimate of business rates income will be used by Government to determine a schedule of payments for the payment of their central share to them. It will also form the basis for paying over the County Councils share.

11 **Budget Setting**

11.1 Authorities will need to have regard to the income they can expect to retain from business rates when setting their budget. This will involve for District Councils estimating income from business rates for the coming year, deducting the shares due to Government and the County Council as well as the tariff. Authorities will also need to calculate whether they are likely to pay a levy or receive a safety net payment, as well as any surplus or deficit on the collection fund arising from previous years.

12 **Collection and General Funds**

12.1 The Council's collection fund will receive income from business rates and will make payments to Central Government and the County Council for their share of that income.

12.2 The Government intends to make top-up/tariff payments and safety net/levy payments through the General Fund.

13 **The Safety Net and Levy**

13.1 The safety net aims to protect local authorities from significant reductions in their income by guaranteeing that no authority will see its retained income fall beyond a set % of its index linked baseline funding level.

13.2 The safety net will be funded by a levy on disproportionate benefits to baseline funding levels.

13.3 The safety net threshold will be in the range of 7.5% to 10% below an index linked baseline funding level.

13.4 The calculation of the levy ensures that a 1% increase in business rates would only result in a 1% increase in an authority's baseline funding.

14 **Report Implications**

14.1 Finance and Value for Money Implications

14.1.1 The business rates retention system, together with Revenue Support Grant, will replace the current formula grant system. It is impossible to say at present what level of funding the Council can expect to receive. However, it is clear that the current complex system of Local Government finance is being replaced with a system of equal complexity. The absorption of current specific grants into the system is likely to reduce transparency and make it impossible to judge whether the level of current funding is being maintained.

14.1.2 The Government's proposals for setting the original baseline position are likely to build into the system an element of growth, which if authorities cannot maintain will result in reduced funding.

14.1.3 The proposals for the levy will mean that district Councils will gain very little benefit from growth in the local business rate. However, they will face significant reductions should business rates fall. Modelling of the system indicates that if our business rates were to grow by 0.5% p.a. for 5 years, the Council's income would have increased by £50,000 by year 5, compared to the standstill position. If, however, business rates were to fall by 0.5% p.a. over the next 5 years, income would fall by £240,000.

14.1.4 Reducing Local Government spending totals in 2013/14 by £350 million to fund the safety net and capitalisation is a significant extra cut. Even if this money is subsequently returned to authorities, it will be too late for budget setting.

14.2 Risk Management Implications

14.2.1 Clearly, there is a risk that the authority's funding could change significantly, either on introduction of the scheme or in the future should a major business close. The Council will need to ensure it has adequate balances to manage such an eventuality.

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

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

Agenda Item No 13

Executive Board

11 September 2012

Report of the Assistant Director (Finance and Human Resources)

Budgetary Control Report 2012/13 Period Ended 31 August 2012

1 Summary

- 1.1 The report covers revenue expenditure and income for the period from 1 April 2011 to 31 August 2012. The 2012/2013 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

That the report be noted.

2 Consultation

- 2.1 Councillors Butcher, Moore and Smith have been sent an advanced copy of this report for comment. Any comments received will be reported verbally at the meeting.

3 Report

3.1 Introduction

- 3.1.1 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.

4 Overall Position

- 4.1 Net controllable expenditure for those services that report to the Executive Board as at 31 August 2012 is £227,446 compared with a profiled budgetary position of £229,943; an under spend of £2,496. 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 risks to the budgetary position of the Council from services under the control of this Board are:

- The current level of budget within Emergency Planning is sufficient to carry out the anticipated workload; however any major local emergency would require additional expenditure.
- Budget provision does not currently exist for production of and delivery of a third edition of 'North Talk' and currently depends on finding external funding each year.

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. There is insufficient information at this point to warrant any change in the original estimate of £503,710.

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 2012/13 financial year is £453,408. 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).

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

Executive Board

Budgetary Control Report 2011/2012 as at 31 August 2012

Description	Approved Budget 2012/2013 £	Profiled Budget August 2012 £	Actual August 2012 £	Variance £	Comments
Housing Strategic Service Review	33,370	13,471	13,471	-	
Outreach and Access to Services	47,300	34,292	34,291	(1)	
Corporate Communications	75,510	36,255	35,442	(813)	
Community Strategy	115,700	47,249	46,103	(1,146)	
Communication Group	1,900	914	376	(538)	
Emergency Planning	34,980	9,017	9,017	-	
N.Warks Local Development Framework	193,700	88,224	88,224	-	
Support to Parishes	1,250	521	521	-	
Total Expenditure	503,710	229,943	227,446	(2,497)	

Agenda Item No 14

Executive Board

11 September 2012

Report of the Chief Executive and the Deputy Chief Executive

Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April - June 2012

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 2012.

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 2012/13. This is the first report showing the progress achieved so far during 2012/13.

4 Progress achieved during 2010/11

- 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 2012/13 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 Members will be aware that national indicators are no longer in place and have been replaced by national data returns specified by the government. A number of previous national and best value indicators have been kept as local indicators as they are considered to be useful in terms of managing the performance of our service delivery corporately.
- 5.2 The current national and local performance indicators have been reviewed by each division and Management Team for monitoring for the 2012/13.

6 Overall Performance

- 6.1 The Corporate Plan performance report shows that 95% of the Corporate Plan targets and 62.5% of the performance indicator targets are currently on schedule to be achieved. 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	19	95%
Amber	0	0%
Red	1	5%
Total	20	100%

Performance Indicators

Status	Number	Percentage
Green	5	62.5%
Amber	2	25%
Red	1	12.5%
Total	8	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 Equalities

8.5.1 There are a number of equality related targets and indicators including achieving the equality framework, domestic abuse, race equality, hate crime, 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 enhancing community involvement and access to services, protecting and improving our environment, defending and improving our countryside and rural heritage, to tackle crime, improving housing and making best use of our resources.









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
National Indicators for Local Authorities and Local Authority Partnerships	Department for Communities and Local Government	Statutory Guidance	February 2008







NWCP Executive Board 12/13

	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 001 11/12	To ensure that we assess the impact of our services on, and actively engage with, all sections of our communities and to report on ways of doing this by July 2012	Consultation and Communication	Maxey, Steve	<p>Report and significant policies are monitored by the Solicitor to the Council and Policy Support Manager to ensure equality implications are included.</p> <p>The Scrutiny Board approved a draft Consultation Action plan at its meeting in June 2012.</p> <p>Officers are considering joint work with Nuneaton and Bedworth Borough Council and North West Leicestershire District Council to further support our equalities work</p>	 Green	
NWCP 002 11/12	To continue to work with partners in the Coventry & Warwickshire Local Enterprise Partnership and with Hinckley and Nuneaton to maximise opportunities to gather feedback to develop the economy of the Borough and to report on progress by October in each year.	Local Employment	Barratt, Dorothy	Work continues to ensure that any opportunities to improve the Borough's economy are taken. Local events are planned with the Chamber of Commerce and officers will be speaking to local shops to maximise the effect of the High Street Innovation Fund.	 Green	
NWCP 003 11/12	To report annually in March on the work of the local Financial Inclusion Partnership including for 2012/13 the BOB bus, CAB and Warwickshire Welfare Rights Activity and the local impact of the Welfare Reform programme	Access to Services	Trahern, Bob	In hand to be completed at the year end. Reports on the impact of Welfare Reform are being taken as required and Cllr Moore and Cllr Davis will now sit as members of the Councils financial inclusion partnership	 Green	
NWCP 004 11/12	To report the outcome of the consultation on the draft Core Strategy and recommend a revised draft in April 2012. To consult on the revised draft from June to August 2012. To report on the outcome of that consultation and recommend a final Core Strategy in September 2012 and submit that to the Government by December 2012	Countryside and Heritage	Barratt, Dorothy	Work is ongoing. Draft Presubmission Core Strategy produced and consulted on. Report on outcome and responses to consultation being drafted.	 Green	

	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 005 11/12	To continue to oppose (a) the HS2 proposal, in partnership with other affected Councils and community action groups, initially by responding to the statutory consultation in accordance with the published timetable; and (b) the principle of Opencast Mining	Countryside and Heritage	Barratt, Dorothy	(a) - Work is ongoing. Response to consultation submitted. The Borough Council is a member of 51m and a signature to the Judicial Review which has been lodged. The case will be heard in the High Court starting on 3 December 2012. Whilst the Borough continues to oppose the scheme and will maintain a pragmatic dialogue with the action groups, community representatives, HS2 Ltd and other stakeholders, we are mindful of the need to engage with HS2 Ltd to ensure that, should the scheme go ahead, the best possible mitigation solutions and community benefits are achieved for the communities of North Warwickshire. (b) Work Ongoing. Further assessment of documentation submitted by developers is awaited from WCC. Until this assessment is received no consideration of land affected by coal reserves will be progressed, to avoid triggering any potential opencasting.	 Green	





	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 008 11/12	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	Public Services and Council Tax	Beggs, Robert	<p>During the first quarter an incident occurred in Atherstone involving the potential leak of ammonia from a refrigeration plant. NWBC notified of the incident by the CSWR duty officer. No emergency responses were required for the incident. On the 28th June heavy rainfall resulted in several flooding incidents across the borough including Willow Close Chapel End, Watling Street Grendon, Church Lane and Coventry Road Fillongley. NWBC assisted local parish councils to provide sand bags and aqua sacks to local residents. Incidents monitored and responses coordinated through Extended Management Team without the emergency centre being set up. Exercise Continium report prepared by CSWR being considered for follow up action. Work underway to revise the off site COMAH plan for Kingsbury Oil Terminal and a revised Warwickshire Humanitarian Assistance Plan prepared. Business Continuity plans updated by each division which helped provide reassurance for potential fuel shortages.</p>	 Green	
NWCP 009 11/12	To achieve the savings required by the budget strategy and to update the strategy to reflect future developments by October 2011	Public Services and Council Tax	Garner, Sue	Work on finding savings is ongoing.	 Green	
NWCP 010 11/12	To carry out reviews of systems in line with the Council's review plan and explore any opportunities for shared working that may arise, with a view to achieving savings and/or increasing capacity	Public Services and Council Tax	Brewer, Chris	Progressing in line with timetable	 Green	







	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 038 11/12	To implement identified improvement works to the Council's main offices to ensure the ongoing provision of services to the local community while safeguarding the safety and security of all residents, staff and visitors who use The Council House building and seeking to make the buildings more environmentally friendly. The details of the project will be subject of ongoing reports	Public Services and Council Tax	Dobbs, Richard	Options for improvements to the M&E installations of the Council House building have been considered and a preferred option agreed. The process of appointing designers and contractors is well under way with work on site expected to begin next year	 Green	
NWCP 042 11/12	To continue to look for ways of narrowing the Council's capital funding gap and report annually in February	Public Services and Council Tax	Garner, Sue	Work is ongoing.	 Green	
NWCP 043 11/12	To undertake work in line with the Human Resources Strategy, including a) Monitoring/managing sickness absence; b) Ensuring compliance with employment legislation	Local Employment	Garner, Sue	A progress report will be considered by Special Sub Group on 16 July.	 Green	
NWCP 045 11/12	Carry out the review of the Council's constitutional structure, including the Members' Allowance Scheme.	Public Services and Council Tax	Garner, Sue	A revised Members Allowance Scheme was approved by Council on 4 July.	 Green	
NWCP 046 11/12	Carry out review of Staff Travel	Public Services and Council Tax	Brewer, Chris	Review of car leasing scheme complete together with mileage rates. Essential User review will start later in the year.	 Green	
NWCP 047 11/12	Carry out review of Members' Travel	Public Services and Council Tax	Garner, Sue	Amendments to Members travel arrangements were approved at Council on 4 July.	 Green	
NWCP 048 11/12	To carry out a review of Area Funding, jointly with Warwickshire County Council	Public Services and Council Tax	Powell, Simon	It is unlikely that further progress will be made in this area of activity in the foreseeable future due to the manner in which Warwickshire County Council has proposed to allocate its community funding (£5,000 per County Councillor).	 Red	
NWCP 049 11/12	Any review of Car Parks will take place in tandem with the County Council's Strategy on decriminalisation of on-street car parking which is not scheduled for 2012/13	Public Services and Council Tax	Dobbs, Richard	Currently working with NBBC to look at joint approaches to on-street and off-street parking enforcement. Still awaiting CPE timetable from WCC	 Green	
NWCP 056 11/12	To review the means of funding and frequency of North Talk by March 2013	Consultation and Communication	Maxey, Steve	North Talk now carries a limited amount of advertising. A review will take place of the success of this after one year.	 Green	

	Action	Priority	Reporting Officer	Update	Status	Direction
NWCP 061	Carry out review of Mayor's Allowance	Public Services and Council Tax	Garner, Sue	Work on this will be carried out later in the year.	 Green	
NWCP 071	Carry out review of Staff Establishment	Public Services and Council Tax	Garner, Sue	The staff establishment is monitored on an ongoing basis.	 Green	
NWCP 072	To maintain the existing level of core funding for arts and welfare organisations	Public Services and Council Tax	Powell, Simon	<p>"Live and Local" continues to be funded by the Authority in respect of its co-ordination and delivery of good quality professional touring theatre / music in venues across the Borough. This activity is undertaken in conjunction with local communities.</p> <p>Each Area Forum Fund has £500 ring-fenced for arts-related projects. Area Forums North and East have both awarded more than £500 for such activities at their meetings held in June 2012.</p>	 Green	

NWPI Executive Board 12/13

Ref	Description	Section	Priority	Year End Target	Performance	Traffic Light	Direction of Travel	Comments
NWLPI 153	Number of domestic burglaries detected in the Local Authority area	Policy Support	Crime and Disorder	72	53	Green 		53 domestic burglaries during the first quarter which is a 40% reduction compared to same period 2011/12. Domestic burglaries increased during 2011/12. Polesworth and Water Orton are current hot spot locations experiencing 6 and 7 burglaries respectively. Management of identified offenders is in place and crime prevention information being targeted at the higher risk locations.
NWLPI 154	Number of violent crimes in the local authority area	Policy Support	Crime and Disorder	146	142	Green 		142 violent crimes reported in the first quarter which is an 11% decrease compared to the same period 2011/12. 39 incidents 27% are related to domestic violence. Any licensed premises which are identified as a concern are subject to visits by the Police. Analysis of violent crime considered by the partnership special interest group.
NWLPI 155	The number of vehicle crimes in the local authority area	Policy Support	Crime and Disorder	154	158	Amber 		158 vehicle crimes during the first quarter. The current hot spot locations include Coleshill and Fillongley. All hot spot locations are visited to ensure there is adequate crime prevention signage and other measures in place. The current levels are still within the expected target range.

Ref	Description	Section	Priority	Year End Target	Performance	Traffic Light	Direction of Travel	Comments
NWLPI 156	The number of hate crimes recorded in the local authority area	Policy Support	Crime and Disorder	10	6	 Green		<p>The Police received four reported hate crimes in the first quarter. These included violence against a person and criminal damage. Offences relate to a general store and a taxi driver. Police have responded to all the reports. Referrals to the Warwickshire Race Equality Partnership has been made in a number of cases.</p> <p>The Council also received 2 reports relating to a neighbour dispute and alleged harassment from a landlord. Both reports were from east european people. The Policy Support Manager and the Homelessness and Advice Officer has met with the one family and the Police have investigated the other case.</p>
NWLPI 130	The percentage of hate crimes that resulted in further action	Policy Support	Crime and Disorder	100	100	 Green		<p>Anti social behaviour incidents at a shop in Coleshill investigated by the Police and Fire & Rescue Service following a spate of arson incidents. Shopkeeper and staff contacted by WREP for reassurance about any racial incidents.</p> <p>A racial report about alleged harassment of an Eastern European family has been investigated including the use of translation services. Further action by the Police and the Council may be considered subject to specific evidence being provided.</p>

Ref	Description	Section	Priority	Year End Target	Performance	Traffic Light	Direction of Travel	Comments
@NW:NI032	Percentage reduction in repeat victimisation for those domestic violence cases being managed by a MARAC	Policy Support	Crime and Disorder	8	31.2	 Red		<p>The data for this indicator is currently based upon combined figures for North Warwickshire and Nuneaton and Bedworth. A query has been raised with Warwickshire County Council to confirm if district specific data will be available from Stonham the new domestic abuse support service provider.</p> <p>During quarter 1 there were 39 domestic violence incidents (27%) out of 142 violent crime offences in North Warwickshire.</p> <p>TRIM reference 2012/PS/000426 Community Safety Performance Monitoring Report June 2012</p>
@NW:NI047	Number of people killed or seriously injured during the calendar year compared to the previous year. Figures are based on a 3 year rolling average, up to the current year.	Policy Support	Crime and Disorder	13	9	 Green		<p>9 KSI's recorded during April and May. Baseline figures from 2011/12 are still to be confirmed. Target levels included at equivalent rate for 2011/12 pending confirmation for 2012/13.</p>
NWLPI 132	Percentage of services that report equality profile of their service outcomes as part of their service delivery plans	Policy Support	Public Services and Council Tax	100	95	 Amber		<p>The basis for the calculation of this indicator is being reviewed to ensure the Council is appropriately following the guidance for meeting the Equality Duty as set out in the Equality Act 2010. A provisional estimate of the indicator has been made which will be verified during the quarter 2 period. Monitoring of board reports for the equality implications identified and the impact assessments carried out is undertaken using TRIM.</p>

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE SPECIAL SUB-GROUP

2 July 2012

Present: Councillor M Stanley in the Chair

Councillors Hayfield, Phillips and Sweet

An apology for absence was received from Councillor Smith

Councillors Barber, Fowler, Fox, Humphreys, Moore, Morson, Pickard and Wykes were also in attendance.

1 **Declarations of Personal or Prejudicial Interests**

Any personal interests arising from the membership of Warwickshire County Council of Councillors Hayfield and Sweet and membership of the various Town/Parish Councils of Councillors Phillips (Kingsbury) and M Stanley (Polesworth) were deemed to be declared at this meeting.

2 **Member Code of Conduct**

The Sub-Group was invited to agree a new Code of Conduct and endorse arrangements for investigating complaints.

Recommended:

- a. **That a new Code of Conduct attached at Appendix 1 to the report of the Assistant Chief Executive and Solicitor to the Council, be adopted;**
- b. **That the arrangements detailed in the report of the Assistant Chief Executive and Solicitor to the Council for the investigation of complaints be adopted;**
- c. **That Mr Orton and Mrs Shilton be appointed as Independent Persons and that further information be sought on the other two applicants;**
- d. **That the Assistant Chief Executive and Solicitor to the Council be authorised to make any necessary amendments to Constitutional Standing Orders as a result of adoption of the new Code; and**
- e. **That the Democratic Arrangements Task and Finish Group be asked to review how the new Code works in practice in six months time.**

M Stanley
Chairman

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE SPECIAL SUB-GROUP

16 July 2012

Present: Councillor M Stanley in the Chair

Councillors Hayfield, Phillips, Smith and Sweet

Councillors Humphreys, Moore and Morson were also in attendance.

1 **Disclosable Pecuniary and Non-Pecuniary Interest**

None were declared at the meeting.

2 **Progress Report on Human Resources Issues**

The Assistant Director (Finance and Human Resources) reported on the progress against the Human Resources Strategy Action Plan, work being done by the Human Resources team, the sickness levels for the period of April 2011 to March 2012 and some further information on action taken in managing absence.

Resolved:

That the report be noted.

3 **Support for the Landscape Management Section**

The Assistant Director (Leisure and Community Development) sought approval for the appointment of a temporary (18 months) Landscape Officer to support the work of the Landscape Management section of the Leisure and Community Development Division in delivering the priorities set out in North Warwickshire Green Space Strategy. The Sub-Group was asked to agree a suggested course of action.

Resolved:

That the proposal to appoint to a temporary post of Landscape Officer, as outlined in the report of the Assistant Director (Leisure and Community Development), be approved.

4 **Extension of the B.O.B Community Hub Support Officer**

The Sub-Group was informed of a decision taken under the Chief Executive's emergency powers in May 2012 to grant permission for an 18-month extension to the temporary position of the B.O.B Community Hub Support Officer allowing it to be advertised without Board

approval. The decision was taken after consultation with the Leader and both the Chairman and Shadow Spokesperson of the Resources Board.

Resolved:

That the report be noted.

5 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.

6 Corporate Services Apprenticeships Proposal and Staffing Updated.

The Assistant Director (Corporate Services) sought approval for the creation of two, two year Apprenticeships within Corporate Services Division and provided an update on approved staffing changes. The Sub-Group was asked to agree a suggested course of action.

Resolved:

- a That the proposals to establish a two year Apprenticeship in Central Services and another in Information Services be approved;**
- b That the increase in DC's (Information Services Officer) hours be noted; and**
- c That the proposal to recruit to MJ (Central Services Officer) post as a result of her retirement be noted.**

M Stanley
Chairman

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE SPECIAL SUB-GROUP

15 August 2012

Present: Councillor M Stanley in the Chair

Councillors Humphreys, Phillips, Smith and Sweet

An apology for absence was received from Councillor Hayfield (Councillor Humphreys substitute)

Councillors Barber, Fox, Lewis, Morson and Pickard were also in attendance.

1 **Disclosable Pecuniary and Non-Pecuniary Interest**

None were declared at the meeting.

2 **Impact of Welfare Benefit Reforms on Council Tenants and Income Collection**

The Assistant Director (Housing) provided the Sub-Group with information about the implications of the Government's welfare reforms for the Council's role as a landlord and sought approval for a proposal to appoint a Welfare Reform Advice Officer.

Resolved:

That the proposal to appoint a Welfare Reform Advice Officer be approved.

3 **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.

4 **Streetscape Division – Proposed Restructure**

The Assistant Director (Streetscape) detailed proposed changes to the staffing structure within the Streetscape Division in order to maintain the operational efficiency of the Division while delivering necessary savings.

Resolved:

- a** That the Transport & Operations Manager and the Refuse & Recycling Manager posts be deleted from the establishment following the retirement of the previous post holders;
- b** That the arrangement with Nuneaton & Bedworth Borough Council to share the post of Waste & Cleansing Manager across both authorities for an initial period of twelve months from 1 April 2012 be noted;
- c** That, following the retirement of the Engineering & Transport Manager from 30 September 2012, the possibility of extending the partnering arrangements to cover the role on a part-time basis be explored;
- d** That the posts of Assistant Refuse & Recycling Manager and Streetscape Officer should be deleted from the establishment and the current post holders appointed to two new posts of Streetscape Foreman;
- e** That the current Streetscape Foreman's job description should be broadened and the post renamed as Grounds & Operations Supervisor and re-evaluated to more accurately reflect the post holder's current role and responsibilities;
- f** That a potential saving of up to £51,540 in 2013/14 onwards being achieved from the proposed restructure be agreed; and
- g** That the new arrangements are reviewed within twelve months in light of upcoming changes to service delivery within the Division and the opportunities for further partnership working with Nuneaton & Bedworth Borough Council.

M Stanley
Chairman