

**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

30 SEPTEMBER 2013

The Executive Board will meet in the Committee Room at the Council House, South Street, Atherstone, Warwickshire on Monday 30 September 2013 at 5.30pm

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 10 September 2013** - copies herewith to be agreed as a correct record and signed by the Chairman.

5 **Public Participation**

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

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

- 6 **Financial Statements 2012/13** – 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 2013. 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 **Licensing Committee – Delegation Arrangements** - Report of the Assistant Chief Executive and Solicitor to the Council

Summary

This report recommends delegation arrangements for the new functions in the Scrap Metal Dealers Act 2013.

The Contact Officer for this report is Steve Maxey (719438).

JERRY HUTCHINSON
Chief Executive

NORTH WARWICKSHIRE BOROUGH COUNCIL

MINUTES OF THE EXECUTIVE BOARD

10 September 2013

Present: Councillor M Stanley in the Chair

Councillors Barber, Moore, Morson, Phillips, Smith and Sweet

Apologies for absence were received from Councillors Hayfield (Councillor Barber as substitute) and Humphreys.

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

None were declared at the meeting.

22 **Minutes of the meetings of the Board held on 18 June and 23 July 2013.**

The minutes of the meetings of the Board held on 18 June and 23 July 2013, copies having been circulated, were approved as a correct record and signed by the Chairman.

23 **Corporate Plan 2014/15 – Key Corporate issues**

The Chief Executive reported on the key corporate issues facing the Council over the next 18 months and sought agreement to addressing these issues during the formulation of the 2014/15 Budget and Corporate Plan.

Recommended:

That the issues raised in the report of the Chief Executive are the main areas which should be considered for inclusion in the 2014/15 Corporate Plan.

24 **New Homes Bonus**

The Deputy Chief Executive reported on the Government's proposals for top slicing New Homes Bonus and the Board was asked to agree a suggested response.

Recommended:

- a That the consultation be noted; and**
- b That the draft response attached as an Appendix to the report of the Deputy Chief Executive be agreed.**

25 **Local Government Finance Settlement 2014-15 and 2015-16**

The Deputy Chief Executive reported on the Government's consultation on the finance settlement for 2014-15 and 2015-16 and the Board was asked to agree a suggested response.

Recommended:

- a **That the consultation be noted; and**
- b **That subject to the inclusion of a reference to the pressures faced by rural authorities, the draft response attached as an Appendix to the report of the Deputy Chief Executive be agreed.**

26 **Financial Strategy 2014–18**

The Deputy Chief Executive reported on the Authority's Financial Strategy, projected forward the Authority's General Fund budgets to 2017/18, and suggested a detailed budget approach for the 2014/15 General Fund Budget.

Recommended:

- a **That the Financial Strategy shown as Appendix A to the report of the Deputy Chief Executive be approved;**
- b **That the General Fund budget projections for 2014/15 to 2017/18 be noted; and**
- c **That the budget approach, set out in section 12 of the report, be adopted.**

27 **Nuneaton and Bedworth Borough Council – Borough Plan 2013**

The Assistant Chief Executive and Solicitor to the Council reported on the formal consultation on Nuneaton and Bedworth Borough Council's Borough Plan (July 2013).

Recommended:

That with particular emphasis on the impact on the A5 through North Warwickshire, the draft response appended to the report of the Assistant Chief Executive and Solicitor to the Council be approved.

28 **Coventry and Warwickshire City Deal**

The Chief Executive reported on the latest developments in the City Deal process and sought delegated power to give the Council's

approval for any changes to the bid to Government, in consultation with the Leader of the Council and Opposition Leader.

Recommended:

- a. **That the report be noted;**
- b. **That discussions continue towards the creation of a Joint Committee; and**
- c. **That delegated authority be given to the Chief Executive to give this Council's approval for any changes to the bid to Government, in consultation with the Leader of the Council and Opposition Leader.**

29 Consultation on Proposals to Use Capital Receipts to Invest in Service Reform

The Deputy Chief Executive reported on the Government's proposals for the use of capital receipts from asset sales to invest in transforming services and the Board was asked to agree a suggested response.

Recommended:

- a **That the consultation be noted; and**
- b **That the draft response attached as an Appendix to the report of the Deputy Chief Executive be agreed.**

30 Coventry and Warwickshire Business Rate Pool

The Deputy Chief Executive reported on the continued participation in the Coventry and Warwickshire Business Rate Pool.

Recommended:

That the Council continues to participate in the Coventry and Warwickshire Business Rate Pool.

31 Budgetary Control Report 2013/14 - Period Ended 31 August 2013

The Assistant Director (Finance and Human Resources) reported on the revenue expenditure and income for the period from 1 April 2013 to 31 August 2013. The 2013/2014 budget and the actual position for the period, compared with the estimate at that date, was given, together with an estimate of the out-turn position for services reporting to this Board.

Resolved:

That the report be noted.

32 Progress Report on Achievement of Corporate Plan and Performance Indicator Targets – April 2013 to June 2013

The Chief Executive informed Members of the progress with the achievement of the Corporate Plan and Performance Indicator targets relevant to the Executive Board for April to June 2013.

Resolved:

That the report be noted.

33 2013/14 Capital Programme

The Assistant Director (Finance and Human Resources) reported on the action taken by the Chief Executive, using his urgent business powers, in respect of capital schemes at Polesworth and Dordon, and the associated increase in the approved 2013/14 capital programme.

Recommended:

That the action taken to advance implementation of the approved Management Plans at Abbey Green Park in Polesworth and Long Street Recreation Ground in Dordon, and the associated increase of £220,980 in the approved capital programme be noted.

34 Minutes of the meeting of the Safer Communities Sub-Committee held on 2 July 2013

The minutes of the meeting of the Safer Communities Sub-Committee held on 2 July 2013 were received and noted.

35 Minutes of the meetings of the Special Sub-Group held on 5 July, 15 July and 19 August 2013

The minutes of the meetings of the Special Sub-Group held on 5 July, 15 July and 19 August 2012 were received and noted.

Recommended:

That in respect of Minute No 4 (Pay Award 2013/14) of the meeting of the Special Sub-Group held on 19 August 2013 the 1.0% increase be applied to all staff.

36 **Minutes of the meeting of the Local Development Framework Sub-Committee held on 17 July 2013**

The minutes of the meeting of the Local Development Framework Sub-Committee held on 17 July 2013 were received and noted.

37 **Notes of the meeting of the Democratic Arrangements Task and Finish Group held on 1 July 2013**

The notes of the meeting of the Democratic Arrangements Task and Finish Group held on 1 July 2013 were received and noted.

M Stanley
Chairman

Agenda Item No 6

Executive Board

30 September 2013

Report of the Deputy Chief Executive

Financial Statements 2012/13

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 2013. 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 2012/13 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 2012/13 financial year, the Authority is required to prepare its accounts by 30 June and to publish them by 30 September.

3 2012/13 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 2013. The out turn position was slightly better for the General Fund than expected in the revised estimate, but slightly worse for the HRA.

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, and are attached as Appendix A.

...

There have been no changes to the accounts following the audit, although the auditors have requested some minor presentational changes in the notes to the statements for 2012/13. However at the point of writing this report, the auditors still have an outstanding query over the accounting treatment of the Local Authority Mortgage Scheme.

- 4.3 The Local Authority Mortgage Scheme was added to the capital programme, in line with officers understanding of the scheme and the advice received on it. This allowed the scheme to be funded by borrowing. The financial statements have therefore accounted for expenditure on the scheme as capital expenditure. Some auditors hold a contrary view on the capital nature of the scheme and view it as revenue. PricewaterhouseCoopers have consulted the Audit Commission on the matter and are waiting for a response. A verbal update will be provided at the meeting.

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 2012/13 impacts upon future years. The General Fund balance totals £4,088,267 at 31 March 2013, whilst the Housing Revenue Account amounts to £956,625.

- 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.

- 5.1.3 As expected, the position on the Housing Revenue Account has improved during the first year of the self financing system. However welfare reform is expected to impact on the Account, and the full effect of the reforms will only be seen as it is implemented over the next few years.

5.2 Environment and Sustainability Implications

- 5.2.1 The Council has remained within its overall budgets for the 2012/13 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 2012/13	February 2012
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2012/13	February 2012

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS

2012/13

	Page
Explanatory Foreword to the Financial Statements	2
Statement of Responsibilities, Issue and Approval Date	8
<i>The Statement of Accounts: -</i>	
Movement in Reserves Statement	9
Comprehensive Income and Expenditure Statement	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Financial Statements	13
<i>Supplementary Financial Statements: -</i>	
Housing Revenue Account Income and Expenditure Statement	57
Movement on the Housing Revenue Account Statement	58
Notes to the Housing Revenue Account Statements	59
The Collection Fund Income and Expenditure Statement	64
Notes to the Collection Fund	65
Statement of Accounting Policies	66
Independent Auditors' Report	80
Glossary of Terms	81
Annual Governance Statement	84

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

- Phone: 01827 719374
- Fax: 01827 719412
- E-mail address: suegarner@northwarks.gov.uk

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 2012/13 and shows our financial position at 31 March 2013. 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

The only change in the statements relates to the operation of the Housing Revenue Account. All Councils with a housing stock were part of a National Housing Pool, which distributed subsidy to those Councils deemed 'in need'. The Government took the decision to end the subsidy system, and move Councils to a Self Financing system from April 2012. To do this, the Government valued each Council's housing stock / business plan, and compared that value to the amount of debt being funded through the subsidy system. In our case, the valuation was higher than the debt and we were required to pay the difference to the Government. We borrowed £59.539 million from the Public Works Loans Board at the end of March 2012, to make that payment.

With the Self Financing system, we no longer need to pay money into the National Housing Pool. However we did start to repay some of the money we owe to the Public Works Loans Board.

The Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the income we received and the expenditure we incurred in operating the Council for the year, and shows a deficit of £9.576 million for 2012/13. The main reasons for the deficit are the revaluation of property, plant and equipment and the actuarial loss on pension assets.

The deficit is then adjusted by the various entries, which are summarised in the Movement in Reserves Statement and detailed in notes 5 and 6 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 2012/13

➤ General Fund (GF) Services

After considering the many spending pressures we faced, and the reductions we were able to make in our budget, we took the decision to leave our Council Tax at 2011/12 levels. We originally planned to spend £10.043 million, after using some of our past savings and allowing for expected income generated by services. We included some funding towards the introduction of faster broadband within North Warwickshire in our budget.

The table below summarises our 2012/13 budget compared with the actual figures for General Fund Revenue Services.

	Original Budget £000	Net Revenue Spending £000
Total revenue spending	43,775	45,547
Less income relating to those services	34,715	36,839
Net Spending on Services	9,060	8,708
Interest Payable	48	21
Parish Precepts	935	935
Total	10,043	9,664

The main changes from the original budget relate to:

- Reduced staffing costs due to part year vacant posts, a reduction in superannuation resulting from staffing changes, the deletion of posts and a reduction in recruitment activity partially offset by the use of agency staffing.
- Increased income in a number of areas including planning fee income, higher occupancy of industrial units, additional income on Community Strategy, export health certificates, new burdens funding for council tax support, LPSA 2 funding and high street innovator grant.
- A lower than expected return on investment income due to reductions in interest rates.
- A decrease in the benefits subsidy receivable in the year has partially been offset by an improvement in benefit overpayments recovered.

Our money in 2012/13 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:

	Original Budget £000	Other Income £000
Council Tax	5,426	5,426
Council Tax Special Grant	112	112
Revenue Support Grant	73	73
Business Rates	3,774	3,774
Contribution from Collection Fund	55	55
Interest on balances	150	114
Contribution from Balances	453	110
Total	10,043	9,664

At the end of the year our total revenue reserves amounted to £9.273 million. The table below shows the different types of reserve we hold.

Revenue Reserves	£000
General Reserve (for unexpected events)	4,088
For capital spending (for spending on assets with a lasting value)	1,833
Other reserves (held for specific purposes)	3,352
Total	9,273

The General Reserve held for unexpected events is close to 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.

	Original Budget £000	Net Revenue Spending £000
Spending on Services	4,331	4,426
Cost of Borrowing	2,444	2,440
Contribution to Major Repairs Reserve	2,222	1,502
Payment to / (income) from the Government (CLG)	-	(7)
Contributions to Earmarked Reserves	2,000	2,294
Compensation to General Fund	-	51
Contribution to Balances	36	281
Total	11,033	10,987

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

- An increase in treasury management costs for managing the HRA external debt portfolio.
- Increased contributions to the repairs fund reflecting changing repair works.
- Increased IT recharges following the installation of IT equipment in Community Rooms.
- Timing changes in delivering the capital programme has meant funds have been transferred to an earmarked reserve to fund the works in the following year.

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	10,992	10,969
Interest earned	41	18
Total	11,033	10,987

Variations to the original budget are:

- Lower interest earned on balances due to lower interest rates.
- Rental income is marginally lower due to reductions in garage rental income, higher shop vacancies and higher council house sales reflecting lower rental income.

The contribution to general balances was higher than the original estimate, meaning 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 £5.402 million. The table below shows the different types of reserve we hold.

Revenue Reserves	£000
Housing Revenue Reserve (for unexpected events)	957
Major Repairs Reserve (for spending with a lasting value on housing assets)	1,621
Other reserves (held for specific purposes)	2,824
Total	5,402

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 98.2% for Council Tax and 98.9% for business rates falling due in 2012/13.

Capital Spending in 2012/13

Alongside our day-to-day costs we spend money on assets such as buildings, vehicles, equipment and computer systems. During 2012/13 our capital spending was less than the agreed programme and came to £3.190 million.

The 2012/13 Capital Programme includes amounts brought forward from 2011/12 that had not been spent and is shown below, together with a comparison to actual expenditure.

	Programme £000	Expenditure £000
Council Housing	2,795	1,501
Housing General Fund Services	1,729	1,347
Other General Fund Services	2,452	342
Total	6,976	3,190

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. In addition to this, work to maintain the Council Offices is at an early stage and will span at least two financial years.

All schemes not completed in 2012/13 are reviewed, and where the project is still needed, the money will be spent in 2013/14. 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 11 council houses which were sold under the Right to Buy legislation. In addition to this land was sold at Queensway Hurley and Old Farm Road Mancetter to a housing developer.

We revalue all of our assets within a five-year period, with a proportion revalued each year. The value of our assets in 2012/13 has reduced by £8.851 million, primarily due to the reduction in the valuation of council properties in the Borough which have fallen in value and sports centres which have fallen by £0.706 million, as well as disposals such as the land at Old Farm Road, Mancetter and Queensway Hurley which was valued at £0.2 million. New assets include a transit van for the Streetscape service and the conversion of part of the Community Room at Eastlang Road Fillongley into a one bedroom flat. When our spending in 2012/13 is included, together with some disposals, revaluations, depreciation and impairments, the total value of assets at the end of the year is £112.454 million.

We have £58.789 million of long term borrowing from the PWLB remaining outstanding, 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 £10.827 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 £24.994 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 a Council 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 2012/13 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 2013/14 were identified in advance and included in the budget approved by the Council. At that time, we still expected to need further savings of around £1.29 million over the following three years, to ensure that we continue to hold sufficient general reserves. The required level of savings will change as a result of Government funding decisions.

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 2013/14

Central government offered an amount equal to a 1% increase for those Councils who didn't increase their council tax in 2013/14. Although the government support is only available for one year, we held our 2013/14 Council Tax at 2012/13 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 5.1%. Schemes to promote faster broadband across Warwickshire which started in 2012/13, will continue to be a priority in 2013/14. We plan to spend £8.585 million in total.

Planned capital spending for 2013/14 is £11.052 million, including funding for 2012/13 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 2013.

C J Brewer CPFA

Deputy Chief Executive, North Warwickshire Borough Council

STATEMENT OF RESPONSIBILITIES, ISSUE AND APPROVAL DATE

The Council's Responsibilities

The Council is required to:

- 1) Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In North Warwickshire Borough Council that officer is the Deputy Chief Executive.
- 2) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 3) Approve the Statement of Accounts.

The Deputy Chief Executive's Responsibilities

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

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

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

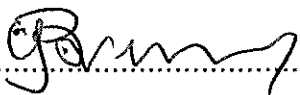
The Deputy Chief Executive has also:

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

Issue Date

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2012/13 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 2013.

All known material events that have occurred up to and including this date, which relate to 2012/13 or before have been reflected in the accounts.

Signed:.....

Date:19/09/13.....

C J Brewer CPFA, Deputy Chief Executive

North Warwickshire Borough Council Movement in Reserves Statement

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

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants / Conts Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	3,196	4,331	850	132	2,992	1,057	8	12,566	102,084	114,650
Movement in reserves during 2011/12										
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 5)	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 6)	330	447	(735)	(75)	-	-	-	(33)	33	-
Increase/(Decrease) in 2011/12	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
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services	(1,269)	-	2,753	-	-	-	-	1,484	-	1,484
Other Comprehensive Income and Expenditure	(4,884)	-	(6,176)	-	-	-	(1)	(11,061)	465	(10,596)
Total Comprehensive Income and Expenditure	(6,153)	-	(3,423)	-	-	-	(1)	(9,577)	465	(9,112)
Adjustments between accounting basis and funding basis under regulations (note 5)	6,957	-	6,057	-	309	7	-	13,330	(13,330)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	804	-	2,634	-	309	7	(1)	3,753	(12,865)	(9,112)
Transfers to/from Earmarked Reserves (note 6)	(914)	407	(2,353)	2,767	-	-	-	(93)	93	-
Increase/(Decrease) in Year	(110)	407	281	2,767	309	7	(1)	3,660	(12,772)	(9,112)
Balance at 31 March 2013 carried forward	4,088	5,185	957	2,824	4,614	1,621	6	19,295	17,415	36,710

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2013

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

2011/12	2011/12	2011/12		2012/13	2012/13	2012/13
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
5,831	(5,539)	292	Central Services to the Public	5,602	(5,139)	463
3,844	(1,679)	2,165	Cultural and Related Services	3,970	(1,540)	2,430
3,994	(873)	3,121	Environmental and Regulatory Services	4,149	(878)	3,271
1,449	(532)	917	Planning Services	1,638	(902)	736
106	(1,153)	(1,047)	Highways and Transport Services	119	(25)	94
72,862	(16,247)	56,615	Local Council Housing	16,894	(19,586)	(2,692)
8,976	(8,247)	729	Other Housing Services	9,463	(8,480)	983
1,474	(84)	1,390	Corporate and Democratic Core	1,368	(127)	1,241
152	-	152	Non-Distributed Costs	56	-	56
766	(401)	365	Other Services (*)	1,461	(1,882)	(421)
99,454	(34,755)	64,699	COST OF SERVICES	44,720	(38,559)	6,161
1,278	(223)	1,055	Other Operating expenditure (Note 7)	1,161	(88)	1,073
3,403	(3,410)	(7)	Financing and investment income and expenditure (Note 8)	3,790	(3,036)	754
-	(9,881)	(9,881)	Taxation and non-specific grant income (Note 9)	-	(9,472)	(9,472)
104,135	(48,269)	55,866	(Surplus)/Deficit on Provision of Services	49,671	(51,155)	(1,484)
9,006	-	9,006	Surplus or Deficit on revaluation of Property, Plant and Equipment	6,050	-	6,050
-	-	-	Impairment losses on non-current assets charged to the Revaluation Reserve	941	-	941
4,012	-	4,012	Actuarial gains/losses on pension assets / liabilities	4,069	-	4,069
13,018	-	13,018	Other Comprehensive Income and Expenditure	11,060	-	11,060
117,153	(48,269)	68,884	Total Comprehensive Income and Expenditure	60,731	(51,155)	9,576

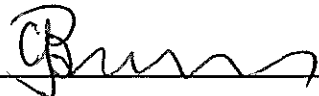
(*) includes spending on North Talk, Investors in People, Compensation and Pension increases, Value for Money, Consultation, Corporate Policy, Contact Centre, Branching Out Bus and income relating to High Street Innovator grant, LPSA Grant and Council Tax reform grant.

North Warwickshire Borough Council

Balance Sheet as at 31 March 2013

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

31 March 2012 £000		Note	31 March 2013 £000
112,604	Property, Plant and Equipment	10	104,442
699	Heritage Assets	11	703
7,429	Investment Property	12	6,791
393	Intangible Assets	13	349
180	Assets Held on Leases	37	169
6	Long Term Investments	14	6
3	Long Term Receivables	14	1,002
121,314	LONG TERM ASSETS		113,462
-	Assets Held for Sale	19	-
3,030	Short Term Investments	14/41	3,525
68	Inventories	15	74
1,611	Short Term Receivables	14/17	3,270
4,027	Cash and Cash Equivalents	18	3,243
8,736	CURRENT ASSETS		10,112
(4,209)	Short Term Payables	14/20	(2,875)
(4,209)	CURRENT LIABILITIES		(2,875)
(59,539)	Long Term PWLB Loans	41	(58,789)
(180)	Other Long Term Liabilities (leases)	37	(169)
(20,193)	Pension Fund Liabilities	40	(24,994)
(107)	Receipts in Advance - Capital Grants	34	(37)
(80,019)	LONG TERM LIABILITIES		(83,989)
45,822	NET ASSETS		36,710
15,635	Usable Reserves	22	19,295
30,187	Unusable Reserves	23	17,415
45,822	TOTAL RESERVES		36,710

Signed 

Date 19/09/13

C J Brewer CPFA, Deputy Chief Executive

Cash Flow Statement for the Year Ended 31 March 2013

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

2011/12 £000		2012/13 £000
55,866	Net deficit or (surplus) on the provision of services	(1,484)
1,840	Adjustments to net surplus or deficit on the provision of services for non cash movements (note 24)	1,129
139	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 24)	(1,376)
57,845	Net cash flows from Operating Activities (Note 24)	(1,731)
(1,214)	Investing Activities (Note 25)	1,841
(58,987)	Financing Activities (Note 26)	674
(2,356)	Net Increase or decrease in cash and cash equivalents	784
(1,671)	Cash and Cash Equivalents at the beginning of the reporting period	(4,027)
(4,027)	Cash and Cash Equivalents at the end of the reporting period (Note 18)	(3,243)

NOTES TO THE FINANCIAL STATEMENTS

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

IAS 1 Presentation of Financial Statements – relates to a revision in the way other comprehensive income is presented requiring separate subtotals for those elements which may be “recycled” (e.g. cash flow hedging and foreign currency transactions, and those elements that will not (e.g. fair value items). This would not affect these statements.

IFRS 7 relates to Financial Instruments disclosures around the transfer of financial assets. This has no relevance to this council 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.

IAS 19 Employee benefits – Defined Pensions Benefit Schemes note 40. The effect of these changes would be to increase the value declared in the line headed “Total post employment benefit charged to the surplus and deficit on the provision of service” line in the Comprehensive Income and Expenditure statement in note 40 by £310,000.

IFRS 13 Fair value measurement – the adoption of this standard has been deferred until the 2014/15 code.

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 66 - 79, the Council 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 Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council’s Balance Sheet at 31 March 2013 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £99,315 for every year that useful lives had to be reduced.</p>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 1% increase in the discount rate assumption would result in a decrease in the pension liability of £15.704 million.</p> <p>However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pension's liability had increased by £8.422 million attributable to updating the assumptions.</p>
Arrears	At 31 March 2013, we had a balance of sundry receivables of £196,472. A review of significant balances suggested that an impairment of doubtful debts of 27.2% (£53,408) 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 £53,408 to set aside as an allowance.

4. Material Items of Income and Expense

In overall terms the council's housing stock reduced in value during the year. Revaluation losses of £6.773 million were charged to the Housing Revenue Account. This was partially offset by increases in some properties across the Borough of £0.903 million.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year end.

Capital Grants Unapplied

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

2012/13	Usable Reserves						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	£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	(1,679)	(6,178)	-	(1,463)	-		9,320
Movements in the fair value of investment properties	(367)	(71)	-	-	-		438
Amortisation of intangible assets	(125)	-	-	-	-		125
Capital grants and contributions applied	-	70	-	-	-		(70)
Revenue expenditure funded from capital under statute	21	-	-	-	-		(21)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1)	(583)	-	-	-		584
<i>Insertion of items not debited/credited to the Comprehensive Income and Expenditure Statement</i>							
Statutory provision for the financing of capital investment	139	-	-	-	-		(139)
Capital expenditure charged against the GF and HRA balances	108	-	-	-	-		(108)
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	10	686	(696)	-	-		-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	148	-	-		(148)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(14)	14	-	-		-
Contribution from the Capital Receipts Reserve to finance the payments to the governments capital receipts pool	(226)	-	226	-	-		-
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Deferred Capital Receipts	-	-	(1)	-	-		1
Adjustments primarily involving the Major Repairs Reserve:							
Reversal of the Major Repairs Allowance credited to the HRA	-	38	-	(38)	-		-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	1,494	-		(1,494)

2012/13	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 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 debited or credited to the Comprehensive Income and Expenditure Statement (see note 40)	(4,785)	(16)	-	-	-	4,801
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	(25)	-	-	-	-	25
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	(27)	(18)	-	-	-	45
Total Adjustments	(6,957)	(6,057)	(309)	(7)	-	13,330

2011/12 comparative figures	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
Revaluation loss on property, plant and equipment	-	(9,006)	-	-	-	9,006
Movements in the fair value of investment properties	77	71	-	-	-	(148)
Amortisation of intangible assets	(159)	-	-	-	-	159
Capital grants and contributions applied	101	150	-	-	13	(264)

2011/12 comparative figures	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
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
Reversal of impairment losses	-	2,348	-	-	-	(2,348)
HRA Settlement Loan	-	(59,539)	-	-	-	59,539
<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 debited or credited to the Comprehensive Income and Expenditure Statement (see Note xx)	(4,444)	9	-	-	-	4,435

2011/12 comparative figures	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 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

6. Transfer to/from Earmarked Reserves

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

	Balance at 1 April 2011	Transfers Out 2011/12	Transfers in 2011/12	Balance at 31 March 2012	Transfers Out 2012/13	Transfers in 2012/13	Balance at 31 March 2013
	£000	£000	£000	£000	£000	£000	£000
General Fund							
External funding received towards the provision of council services	738	(226)	145	657	(125)	152	684
One off funding set aside to progress specific council priorities	127	(35)	216	308	(92)	-	216
Contingency funding set aside to cover potential risks on areas such as VAT recovery and the receipt of benefit subsidy	370	(221)	275	424	(10)	14	428
Other reserves held for revenue purposes to cover timing issues on spending	1,719	(285)	252	1,686	(183)	520	2,023
Reserves held on behalf of Other Organisations	22	-	-	22	(22)	-	-
Reserves Held for Capital Spending	1,355	(36)	362	1,681	(68)	221	1,834
Total General Fund Reserves	4,331	(803)	1,250	4,778	(500)	907	5,185
HRA							
Housing Act Advances	15	(10)	-	5	-	-	5
Housing Repairs Reserve	117	(2,528)	2,463	52	(2,760)	2,768	60
Reserves held for Capital spending	-	-	-	-	-	2,759	2,759
Total HRA Reserves	132	(2,538)	2,463	57	(2,760)	5,527	2,824
Total Earmarked Reserves	4,463	(3,341)	3,713	4,835	(3,260)	6,434	8,009

7. Other Operating Expenditure

2011/12		2012/13
£000		£000
904	Parish council precepts	935
342	Payments to the Government Housing Capital Receipts Pool	226
(191)	(Gains)/losses on the disposal of non current assets	(88)
1,055	Total	1,073

8. Financing and Investment Income and Expenditure

2011/12		2012/13
£000		£000
14	Interest payable and similar charges	21
464	Pensions interest and expected return on pension assets	662
(165)	Interest receivable and similar income	(114)
(320)	Income and expenditure in relation to investment properties and changes in their fair value	185
(7)	Total	754

9. Taxation and Non Specific Grant Income

2011/12		2012/13
£000		£000
(5,386)	Council tax income **	(5,455)
(3,305)	Non domestic rates	(3,774)
(1,190)	Non-ring fenced government grants *	(243)
(9,881)	Total	(9,472)

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

** Council Tax income includes a contribution from the collection fund of £54,910 in 2012/13 (£72,880 in 2011/12) and the Council's share of the residual balance as detailed in note 23 on the collection fund adjustment account of £25,244, which will be transferred in 2013/14 (£16,101 transferred in 2012/13).

10. Property, Plant and Equipment

Movements in balances in 2012/13:

	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 2012	117,265	57,105	3,441	102	124	-	905	178,942
Additions	1,348	202	82	-	-	-	237	1,869
Revaluations increases/decreases recognised in the Revaluation Reserve	121	(1,396)	-	-	-	-	-	(1,275)
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of services	(4,863)	(2,471)	-	-	-	-	-	(7,334)
De-recognition – disposals	(270)	(116)	(4)	-	(1)	-	-	(391)
Other movements in Cost or Valuation	(3)	(2)	(29)	-	-	-	(136)	(170)
As at 31 March 2013	113,598	53,322	3,490	102	123	-	1,006	171,641
Accumulated Depreciation and Impairment								
As at 1 April 2012	(50,616)	(13,074)	(1,797)	(6)	-	-	(845)	(66,338)
Depreciation charge	(1,405)	(486)	(390)	(4)	-	-	-	(2,285)
Depreciation written out to the Revaluation Reserve	60	24	-	-	-	-	-	84
Depreciation written out to the Surplus / Deficit on the Provision of Services	1,362	-	-	-	-	-	-	1,362
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(53)	(76)	-	-	-	-	-	(129)
De-recognition - disposals	3	69	-	-	-	-	-	72
Other movements in Depreciation and Impairment	2	2	31	-	-	-	-	35
At 31 March 2013	(50,647)	(13,541)	(2,156)	(10)	-	-	(845)	(67,199)
Net Book Value								
At 31 March 2013	62,951	39,781	1,334	92	123	-	161	104,442
At 31 March 2012	66,649	44,031	1,644	96	124	-	60	112,604

Comparative 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
Derecognition - disposals	2	-	159	-	-	-	-	161
Other movements in Depreciation and Impairment	1	2	-	-	-	-	-	3
As at 31 March 2012	(50,616)	(13,074)	(1,797)	(6)	-	-	(845)	(66,338)
Net Book Value								
As at 31 March 2012	66,649	44,031	1,644	96	124	-	60	112,604
As at 31 March 2011	70,941	47,394	1,767	19	124	-	446	120,691

Depreciation

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

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

Capital Commitments

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 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	107,139	59,463	2,307	2,606	171,515
Valued at fair value as at:					
31 March 2013	(3,779)	(4,822)	79	-	(8,522)
31 March 2012	(4,351)	(3,053)	101	-	(7,303)
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)
Total Cost or Valuation	64,293	41,136	3,520	-	108,949

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 2012/13. 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	31/03/2061	31/03/2062	(22,284)
Council House Dwellings Timber framed	31/03/2051	31/03/2052	(88)
Garages	31/03/2031	31/03/2032	(3,799)
Garages – to be demolished	31/03/2031	31/03/2015	8,794
Branching out bus	31/03/2015	31/03/2016	(3,550)
Mcfarlane Hardware	30/06/2015	31/10/2013	5,211
Total			(15,716)

11. Heritage Assets

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

2011/12 £000	Civic Regalia	2012/13 £000
	Cost or Valuation	
45	Balance as at 1 April	699
654	Revaluations	4
699	Balance as at 31 March	703

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.

Five-Year Summary of Transactions

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Civic Regalia	39	45	45	699*	703

* revalued in 2011/12

12. 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:

2011/12 £000		2012/13 £000
(425)	Rental income from investment property	(471)
253	Direct operating expenses arising from investment property	218
(148)	Change in fair value of investment properties	438
(320)	Net (gain)/loss	185

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

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

2011/12 £000		2012/13 £000
7,461	Balance at start of the year	7,429
(70)	Disposals	(200)
148	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	(438)
(110)	Transfers - to/from Property, Plant and Equipment	-
7,429	Balance at the end of the year	6,791

13. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Our intangible assets relate to software licences. All software is given a finite, useful life, based on assessments of the period that the software is expected to be of use to the Council.

These assets have been amortised on a straight-line basis over their anticipated lives, the same method used for writing down our intangible assets in previous years. The amortisation of £124,951 charged to revenue in 2012/13 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.

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 2012/13. 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 £
Microsoft License	30/04/2014	30/04/2015	(1,286)
Microsoft License	31/03/2015	31/03/2016	(1,352)
Asset Management Software	30/03/2016	30/03/2017	(2,299)
Electoral Register System	30/06/2014	30/06/2015	(2,354)
Total			(7,291)

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

	2011/12	2012/13
	Software Licences £000	Software Licences £000
Balance at start of year		
Gross carrying amounts	2,010	2,017
Accumulated amortisation	(1,465)	(1,624)
Net carrying amount at start of year	545	393
Additions:		
Expenditure in the year	7	81
Amortisation for the period	(159)	(125)
Net carrying amount at end of year	393	349

Comprising:		
▪ Gross carrying amounts	2,017	2,098
▪ Accumulated amortisation	(1,624)	(1,749)
Net carrying amount at end of year	393	349

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

14. Financial Instruments

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

	Long-Term		Current	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Investments				
Loans and Receivables	1	1	3,030	3,525
Financial assets at fair value through the comprehensive income and expenditure account(**)	6	6	-	-
Total Investments	7	7	3,030	3,525
Receivables				
Loans and Receivables	3	1,002	1,611	3,270
Total included in Receivables	3	1,002	1,611	3,270
Borrowings				
Financial liabilities at amortised costs (*)	59,598	58,819	-	-
Total include in borrowings	59,598	58,819	-	-
Other Long term Liabilities				
PFI and Finance leases	180	169	-	-
Total other long term liabilities	180	169	-	-
Payables				
Financial liabilities at amortised cost	-	-	4,209	2,875
Total Payables	-	-	4,209	2,875

(*) 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 2012/13 the Council granted Decent Homes Standard loans to 25 private owner occupiers totalling £83,386 and Disabled Facilities loans to 9 private owner occupiers totalling £33,486. The Council is due to have the loans repaid when the properties are sold in the future. Given the uncertainty of future timescales, these loans have been fully funded through the Council's capital programme. Any funds recovered in the future will therefore be a windfall to the Council.

15. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	18	29	31	38	3	1	52	68
Purchases	390	368	474	440	-	-	864	808
Recognised as an expense in the year	(379)	(367)	(467)	(434)	(2)	(1)	(848)	(802)
Balance at year end	29	30	38	44	1	-	68	74

16. Construction contracts

At 31 March 2013 the Council had no construction contracts still in progress.

17. Receivables

31 March 2012 £000		31 March 2013 £000
583	Central Government Bodies	2,235
84	Other Local Authorities	82
944	Other Entities and Individuals	953
1,611	TOTAL	3,270

18. Cash and Cash Equivalents

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

31 March 2012 £000		31 March 2013 £000
3	Cash held by the Council	3
4,024	Bank current accounts	3,240
4,027	Total Cash and Cash Equivalents	3,243

19. Assets Held for Sale

	Current		Non-Current	
	2011/12	2012/13	2011/12	2012/13
	£000	£000	£000	£000
Balance outstanding at start of year	124	-	-	-
Assets newly classified as held for sale:				
▪ Property, Plant and Equipment	75	-	-	-
Revaluation gains	1,075	-	-	-
Assets sold	(1,274)	-	-	-
Balance outstanding at year end	-	-	-	-

20. Payables

31 March 2012 £000		31 March 2013 £000
456	Central Government Bodies	290
530	Other Local Authorities	341
3,223	Other entities and individuals	2,244
4,209	TOTAL	2,875

21. Provisions

As at 31 March 2013, we held no provisions (none were held at 31 March 2012).

22. Usable Reserves

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

23. Unusable Reserves

31 March 2012 £000		31 March 2013 £000
(5,340)	Revaluation Reserve	(4,025)
(45,120)	Capital Adjustment Account	(38,506)
58	Financial Instruments Adjustment Account	29
(3)	Deferred Capital Receipts Reserve	(2)
20,193	Pensions Reserve	24,994
(66)	Collection Fund Adjustment Account	(41)
91	Accumulated Absences Account	136
(30,187)	Total Unusable Reserves	(17,415)

Revaluation Reserve

The Revaluation reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

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

2011/12 £000		2012/13 £000
(5,326)	Balance at 1 April	(5,340)
(2,546)	Upward revaluation of assets	(354)
115	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,540
91	Difference between fair value depreciation and historical cost depreciation	86
2,326	Amount written off to the Capital Adjustment Account	43
(5,340)	Balance at 31 March	(4,025)

Capital Adjustment Account

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

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

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

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

2011/12 £000		2012/13 £000	
(112,551)	Balance at 1 April		(45,120)
	<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
2,681	▪ Charges for depreciation and impairment of non current assets	2,352	
9,006	▪ Revaluation losses on Property, Plant and Equipment	6,050	
159	▪ Amortisation of intangible assets	125	
(24)	▪ Revenue expenditure funded from capital under statute	(21)	
1,599	▪ 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	584	
(2,416)	Adjusting amounts written out of the Revaluation Reserve	(129)	
(148)	Movements in the market value of Investment Property	438	
(1,125)	Reversal of previous impairment losses	(23)	
59,539	Payment to Secretary of State in Accordance with the requirements of the HRA settlement determination	-	9,376
	<i>Capital financing applied in the year:</i>		
(139)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(108)	
(1,192)	▪ Use of the Major Repairs Reserve to finance new capital expenditure	(1,494)	
(264)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(70)	
(131)	▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(889)	
(114)	▪ Capital expenditure charged against the General Fund and HRA balances	(201)	(2,762)
(45,120)	Balance at 31 March		(38,506)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid 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 2013 will be charged to the Housing Revenue Account over the next 1 year.

2011/12 £000		2012/13 £000
87	Balance at 1 April	58
(29)	Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Account balance in accordance with statutory requirements	(29)
58	Balance at 31 March	29

The Pensions Reserve

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

2011/12 £000		2012/13 £000
15,758	Balance at 1 April	20,193
4,012	Actuarial gains or losses on pension assets and liabilities	4,069
1,730	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	2,054
(1,307)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,322)
20,193	Balance at 31 March	24,994

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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/12 £000		2012/13 £000
(11)	Balance at 1 April	(3)
8	Transfer to the Capital Receipts Reserve upon receipt of cash	1
(3)	Balance at 31 March	(2)

Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
(82)	Balance at 1 April	(66)
16	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	25
(66)	Balance at 31 March	(41)

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.

2011/12 £000		2012/13 £000
41	Balance at 1 April	91
(41)	Reversal of accrual made at the end of the preceding year	(91)
91	Amounts accrued at the end of the current year	136
91	Balance at 31 March	136

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12	2011/12		2012/13	2012/13
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		<i>Cash Outflows</i>		
8,208		Cash paid to and on behalf of employees	7,996	
24,021		Other operating cash costs	30,122	
7,958		Housing Benefit paid out	8,415	
5,470		Precepts paid out	5,509	
63,267		Payment to the National Housing Pool	-	
181	109,105	Payments to the Capital Receipts Pool	332	52,374
		<i>Cash Inflows</i>		
(10,226)		Rents (after rebates)	(10,969)	
(1,133)		Revenue Support Grant, Area Based Grant and Housing and Planning Delivery Grant	(73)	
(3,305)		Receipts from National Non Domestic Rates Pool (NNDR)	(3,774)	
(5,403)		Precepts Received	(5,480)	
(17,724)		DWP Grants for Benefits	(18,461)	
(652)		Other Government Grants	(914)	
(5,953)		Cash received for goods and services	(5,700)	
(6,089)		Other revenue income	(7,834)	
(649)	(51,134)	Council Tax income	(789)	(53,994)
	57,971	Cash movement relating to revenue activities		(1,620)
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		<i>Cash Outflows</i>		
4		Interest paid	3	
		<i>Cash Inflows</i>		
(130)	(126)	Interest received	(114)	(111)
	57,845			(1,731)

Net cash flow from operating activities

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
	(55,866)	Net (Deficit)/Surplus on the provision of services		1,484
		Add		
60		Contribution (to)/from Housing Repairs Reserve	(8)	
(1,510)		Contributions to reserves	(3,140)	
(191)		(Gain)/ Loss on sale of Assets	(88)	
342		Receipts re payment to Housing Pool	226	
16		Reversal of the Collection Fund Adjustment	25	
(41)		Net movement on pensions	70	
(1,228)		Depreciation and Amortisation of Assets	934	
114		Write down of revenue expenditure funded from capital under statute	108	
50		Accumulated Absences	45	
464		Reversal of Current Pension Costs in Service Accounts	662	
84	(1,840)	Deminimus Charges	37	(1,129)
	(57,706)			355
		Add		
653		Increase/(Decrease) in Reserves	2,467	
(1,019)		Increase/(Decrease) in Payables	(1,102)	
285		Increase/(Decrease) in Receipts in Advance	(320)	
7		(Increase)/Decrease in Receivables	287	
(16)		(Increase)/Decrease in Stocks and WIP	(6)	
(49)	(139)	(Increase)/Decrease in Prepayments	50	1,376
	(57,845)	Net cash flow from operating activities		1,731

25. Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000
2,550	Purchase of property, plant and equipment, investment property and intangible assets	3,062
343	Other payments for investing activities	1,308
(1,791)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(685)
(2,316)	Other receipts from investing activities	(1,844)
(1,214)	Net cash flows from investing activities	1,841

26. Cash Flow Statement – Financing Activities

2011/12 £000		2012/13 £000
(56,539)	Cash receipts of short and long term borrowing	(750)
(2,448)	Other receipts from financing activities	1,424
(58,987)	Net cash flows from financing activities	674

27. Amounts Reported for Resource Allocation Decisions

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

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

The income and expenditure of the Council's principal Service Boards recorded in the budget reports for the year is as follows:

Service Board Income and Expenditure 2012/13	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	(37)	(3,853)	(680)	(18,470)	(12,334)	(35,374)
Government grants	-	(96)	-	(15,503)	-	(15,599)
Total Income	(37)	(3,949)	(680)	(33,973)	(12,334)	(50,973)
Employee expenses*	281	2,956	497	9,117	2,483	15,334
Other service expenses	73	4,935	171	24,438	4,367	33,984
Support Service Recharges*	281	1,217	414	3,955	1,393	7,260
Total Expenditure	635	9,108	1,082	37,510	8,243	56,578
Net Expenditure	598	5,159	402	3,537	(4,091)	5,605

Service Board Income and Expenditure 2011/12 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	(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 Council are shown within the Support service recharges line.

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

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

2011/12 £000		2012/13 £000
66,626	Net expenditure in the Service Board Analysis	5,605
(1,927)	Amounts in the Comprehensive Income and Expenditure Statement not reported to Members in the Analysis	613
64,699	Cost of Services in the Comprehensive Income and Expenditure Statement (*)	6,218

(*) The variance between the cost of service line on the main Comprehensive Income and Expenditure statement and the figure above relates to £57,000 homelessness grant which is shown in the taxation and non specific grant income line in the main Comprehensive Income and Expenditure statement.

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.

2012/13	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	(35,374)	(10)	-	71	-	(35,313)
Interest and investment income	-	-	-	-	(114)	(114)
Income from council tax	-	-	-	-	(5,455)	(5,455)
Government grants and contributions	(15,599)	(830)	-	-	(3,960)	(20,389)
Total Income	(50,973)	(840)	-	71	(9,529)	(61,271)
Employee expenses	15,334	62	-	-	-	15,396
Other service expenses	33,984	(75)	-	-	-	33,909
Support service recharges	7,260	-	-	-	-	7,260
Depreciation, amortisation and impairment	-	1,466	-	-	-	1,466
Interest payments	-	-	-	-	683	683
Precepts and levies	-	-	-	-	935	935
Payments to Housing Capital Receipts Pool	-	-	-	-	226	226
Gain or loss on disposal of non current assets	-	-	-	-	(88)	(88)
Total Expenditure	56,578	1,453	-	-	1,756	59,787
Surplus or deficit on the provision of services	5,605	613	-	71	(7,773)	(1,484)

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

28. 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 2012/13 the total surplus resulting from trading activities totalled £15,630 and the following table summarises the financial performance for each.

DSO	2011/12	2011/12	2011/12	2012/13	2012/13	2012/13
	Expend	Income	(Surplus)/ Deficit	Expend	Income	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
Building Maintenance – Housing Direct Works carries out repairs and maintenance on the Council's housing stock	2,301	(2,253)	48	-	-	-
Horticulture – the DSO maintains the Council's parks, playing fields and open spaces	448	(495)	(47)	462	(488)	(26)
Refuse Collection – the DSO collects both domestic and trade refuse	983	(1,028)	(45)	1,019	(1,009)	10
Amenity Cleaning – the DSO carries out street cleaning and litter picking activities.	455	(469)	(14)	449	(449)	-
Totals	4,187	(4,245)	(58)	1,930	(1,946)	(16)

29. Agency Services

Warwickshire County Council provides a payroll service to the Council, involving a total payment of £8.465 million for employees and members of the Council. Of this sum £1.559 million is paid to Her Majesty's Revenue and Customs and £0.446 million is paid to Warwickshire County Council pensions department. We pay a nominal charge of £1 per annum for this service.

30. Pooled Budgets

We are part of a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services. The current agreement, 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.

		2011/12 £		2012/13 £
Funding provided to the pooled budget:				
• North Warwickshire	92,905		73,351	
• Nuneaton and Bedworth	177,955	270,860	140,499	213,850
Expenditure met from the pooled budget:				
• North Warwickshire	98,573		85,093	
• Nuneaton and Bedworth	188,812	287,385	162,992	248,085
Net deficit arising on the pooled budget during the year		16,525		34,235
Council share of 34.3% of the net deficit arising from the pooled budget		5,668		11,743

31. Members' Allowances

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

	2011/12 £000	2012/13 £000
Allowances	223	222
Expenses	10	9
Total	233	231

32. Officers' Remuneration

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

2012/13 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive	97,181	6,841	16,618	120,640
Deputy Chief Executive	81,601	5,921	13,954	101,476

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

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

Employee Pay Bands	2011/12 staff numbers	2012/13 staff numbers
£50,000-£54,999	-	-
£55,000-£59,999	5	5
£60,000-£64,999	1	-
£65,000-£69,999	1	2
£70,000-£74,999	-	-
£75,000-£79,999	-	-
	7	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 39.

Exit packages cost band	Number of Compulsory redundancies		Total cost of exit packages for compulsory redundancies by cost band	
	2011/12	2012/13	2011/12	2012/13
			£	£
£0 – £20,000	2	2	248	5,574
£20,001 - £40,000	1	1	32,638	20,935
£40,001 - £60,000	1	-	52,188	-
Total	4	3	85,074	26,509

The total cost of £26,509 in the table above has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

33. 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 and statutory inspections.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2012/13 accounts.

Type of Audit Work	2011/12 £000	2012/13 £000
Fees payable to PricewaterhouseCoopers LLP with regard to external audit services carried out for the year	93	56
Fees payable in respect of statutory inspections	2	2
Fees payable for the certification of grant claims and returns for the year	33	15
Total	128	73

34. Grant Income

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

	2011/12	2012/13
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,021	73
Council Tax Freeze Grant	112	113
Non Domestic Rates	3,305	3,774
Local Services Support Grant	57	57
Total	4,495	4,017

	2011/12	2012/13
	£000	£000
Credited to Services		
New Burdens – Assets of Community Value	-	5
Climate Change Grant	8	-
New Burdens – Council Tax Reform	-	93
CLG – Preventing Repossessions	30	-
Audit Commission – IFRS	7	-
UK Food Safety Standards Grant	-	2
High Street Innovator Grant	-	100
LPSA Grant Funding	-	464
Lottery Funding for Local Nature Reserve	47	70
Leader Project Grant	84	356
Stronger and Safer Communities Funding	22	10
NW Clinical Commissioning Group – One Stop Health Shop and Exercise Referral	-	19
Sports Club Development Officer Grant	28	-
Benefits Grant	30	23
Benefits Administration Grant	416	390
New Burdens – Temporary increase in Small Business Rate Relief	3	3
New Homes Bonus Scheme	108	191
Council Tax and Rent Allowances Subsidy	12,272	12,526
National Non Domestic Rates Administration Grant	110	112
Housing Rent Rebates	5,453	5,936
Total	18,618	20,300

We have received a grant that is yet to be recognised as income as it has conditions attached to it that will require the monies or property to be returned to the giver, if they are not met. The balance at the year end is as follows:

31 March 2012 £000		31 March 2013 £000
	Grants Receipts in Advance (Capital Grants)	
107	New Build Grant HRA – balance	37
107	Total	37

35. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which we operate, provides a significant proportion of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 34.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 31.

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

We have a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services. Transactions and balances outstanding are detailed in Note 30.

Seven Borough Councillors were also Warwickshire County Councillors in 2012/13. During the year, we paid £2,540,940 (£1,974,890 in 2011/12) to Warwickshire County Council for services including: pensions, land charges, trade refuse disposal and leisure facilities. Income of £781,324 (£327,399 in 2011/12) was received from the County Council for school swimming lessons, grass cutting and recycling activities.

Three Borough Councillors were also on Atherstone Town Council in 2012/13. Income of £43,472 (£35,651 in 2011/12) 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 £61,536 (£75,036 in 2011/12) was made to North Warwickshire Citizens Advice Bureau. The Borough Council was represented on the North Warwickshire Citizens Advice Bureau by 1 Borough Councillor. The transaction represents a contribution to the running expenses of the organisation. The Member recorded an interest in the Register of Members Interest, which is open to public inspection at the Council Offices during office hours.

36. Capital Expenditure and Capital Financing

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

Capital Expenditure and Financing		
	2011/12	2012/13
	£ 000	£ 000
<i>Capital Investment</i>		
Property, Plant and Equipment	2,195	2,209
Intangible Assets	7	79
Local Authority Mortgage Scheme	-	1,000
Revenue Expenditure Funded from Capital Under Statute	482	353
Total Expenditure	2,684	3,641
<i>Sources of Finance</i>		
Capital receipts	(139)	(148)
Unfunded Local Authority Mortgage Scheme	-	(1,000)
Government grants and other contributions	(656)	(291)
Revenue Contribution to Capital	(114)	(108)
Earmarked Capital Reserve	(33)	(183)
Major Repairs Reserve/HRA RCCO	(1,192)	(1,493)
Capital payables	(451)	(392)
Prudential Borrowing	(99)	(26)
Total Financing	(2,684)	(3,641)

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

	2011/12	2012/13
	£ 000	£ 000
Long Term Assets	121,305	112,454
Long Term Receivable	-	1,000
Revaluation Reserve	(5,340)	(4,025)
Capital Adjustment Account	(45,120)	(38,506)
Capital Financing Requirement	70,845	70,923

37. Leases

Council 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 2012 £000		31 March 2013 £000
180	Property, Plant, and Equipment	169

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

31 March 2012 £000		31 March 2013 £000
127	Finance lease liabilities (net present value of minimum lease payments):	
12	• Current	118
41	• Non current	15
41	Finance costs payable in future years	36
180	Minimum lease payments	169

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

	Minimum lease payments		Finance lease payments	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
Not later than one year	11	11	15	14
Later than one year and not later than five years	45	45	53	51
Later than five years	124	113	101	89
Total	180	169	169	154

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 2012/13, no contingent rents were payable by the Council (none in 2011/12).

Operating Leases

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

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

31 March 2012 £000		31 March 2013 £000
68	Not later than one year	29
520	Later than one year and not later than five years	425
27	Later than five years	-
615	Total	454

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

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

31 March 2012 £000		31 March 2013 £000
101	Minimum lease payments	101
(44)	Contingent rents	(66)
57	Total	35

Council as Lessor

Finance Leases

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

Operating Leases

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

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

31 March 2012 £000		31 March 2013 £000
266	Not later than one year	300
13	Later than one year and not later than five years	9
152	Later than five years	152
431	Total	461

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 2012/13, £108,072 contingent rents were receivable by the Council (£102,990 in 2011/12).

38. Impairment Losses

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

HRA impairments that took place within the year amounted to £126,799 covering various community centres and shops, none of which were charged against to the Surplus or Deficit on the Provision of Services.

Other impairments that took place within the year relate to leisure centres at Coleshill and Atherstone, plus the Memorial Hall and Old Bank House. Reductions in the replacement costs as provided by Building Cost Information Service has generated an impairment of £840,785. This has been partially offset by revaluation reserve balances of £814,799, with the remaining balance of £25,986 charged to the Surplus or Deficit on the Provision of Services.

39. Termination Benefits

The Council terminated the contracts of 3 employees in 2012/13, incurring liabilities of £26,509 (£85,074 in 2011/12) – see Note 32 for the number of exit packages and total cost per band. Payments were made to an Accountancy Assistant, Streetscape Support Officer and Recreation Officer, who were made redundant as part of the Council's rationalisation of these services.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of our officers, we make contributions towards the cost of post employment benefits. Although these benefits will not 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 Council 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:

	2011/12 £000	2012/13 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• Current service cost	(1,266)	(1,392)
• <i>Past Service Cost and Curtailments</i>	-	-
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	(3,284)	(3,095)
• Expected return on scheme assets	2,820	2,433
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(1,730)	(2,054)
<i>Other post employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
• Actuarial gains and losses	4,012	4,069
<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	1,730	2,054
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers contributions payable to scheme	1,307	1,322
Retirement benefits payable to pensioners	(2,239)	(2,114)

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 £24,994,000 at 31 March 2013 and a loss of £20,193,000 at 31 March 2012.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities	
	2011/12 £000	2012/13 £000
Opening balance at 1 April	59,701	64,607
Current service cost	1,266	1,392
Interest Cost	3,284	3,095
Contributions by scheme participants	456	445
Actuarial (gains) and losses	2,139	8,202
Benefits paid	(2,239)	(2,114)
Closing balance at 31 March	64,607	75,627

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

	Funded Assets	
	2011/12 £000	2012/13 £000
Opening balance at 1 April	43,943	44,414
Expected rate of return	2,820	2,433
Actuarial gains and (losses)	(1,873)	4,133
Contributions by scheme participants	456	445
Employer contributions	1,307	1,322
Benefits/transfers paid	(2,239)	(2,114)
Closing balance at 31 March	44,414	50,633

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 £6.566 million (£1.161 million in 2011/12).

Scheme History

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000	31 March 2012 £000	31 March 2013 £000
Present value of liabilities in scheme	(47,198)	(64,243)	(59,701)	(64,607)	(75,627)
Fair value of assets in scheme	30,930	39,846	43,943	44,414	50,633
Surplus / (Deficit) in the scheme	(16,268)	(24,397)	(15,758)	(20,193)	(24,994)

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £24.994 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This deficit would impact upon our reserves only if it all fell due at the same time. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy – the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

In 2012/13 the Council actually paid an employer's contribution of £1,174,104 representing 17.1% (16.7% in 2011/12) 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 £9,878 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 2012/13 these amounted to £145,423 representing 2.1% of pensionable pay (in 2011/12 the Council made payments totalling £141,346 representing 2.1% of pensionable pay). In 2013/14 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,252,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years 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 2013. 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:

	2011/12	2011/12	2012/13	2012/13
	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%	6.3%	6.3%	4.5%
Government Bonds	4.9%	3.9%	3.9%	4.5%
Property	6.5%	4.4%	4.4%	4.5%
Cash/Liquidity	0.5%	3.5%	3.5%	4.5%
Expenses Deducted (p.a.)	0.4%	0.6%	0.6%	0.6%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.0	21.9	21.9	21.9
Women	23.7	23.6	23.6	23.6
Longevity at 65 for future pensioners:				
Men	22.9	22.8	22.8	22.8
Women	26.0	25.9	25.9	25.9
Rate of Inflation (CPI)	2.9%	2.5%	2.5%	2.8%
Rate of Increase in salaries	4.9%	4.8%	4.8%	5.1%
Rate of increase in pensions	2.9%	2.5%	2.5%	2.8%
Rate of discounting scheme liabilities	5.5%	4.8%	4.8%	4.5%
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.

	2011/12	2011/12	2012/13	2012/13
	Beginning of period	End of Period	Beginning of period	End of Period
Equity Investments	71.0%	71.0%	71.0%	73.0%
Bonds	18.0%	19.0%	19.0%	18.0%
Property	10.0%	10.0%	10.0%	9.0%
Cash/Liquidity	1.0%	0.0%	0.0%	0.0%
Other	-	-	-	-
Total	100.0%	100.0%	100.0%	100.0%

History of Experience Gains and Losses

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

	31 March 2009	31 March 2010	31 March 2011	31 March 2012	31 March 2013
Differences between the expected and actual return on assets	(32.8%)	19.5%	4.6%	(4.2%)	8.2%
Experience gains and losses on liabilities	-	-	6.5%	(0.8%)	0.3%

41. Nature and Extent of Risks arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. 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*

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council'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 Council's maximum exposure to credit risk in relation to investments in banks and building societies of £3 million cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the historical principal will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 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 £196,472 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000	31 March 2013 £000
Less than three months	135	89
Between three and six months	9	19
Between six months and one year	46	17
More than one year	49	71
TOTAL	239	196

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 2013 was £22,305.

➤ *Liquidity Risk*

The Council 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 Council 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 £58.789 million remaining 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 Council 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 2012 £000	31 March 2013 £000
Less than one year	-	1,250
Between one years and two years	750	1,250
Between two and five years	5,250	4,350
Between five and ten years	9,300	9,960
Between ten and fifteen years	12,010	12,850
Between fifteen and twenty years	18,280	19,129
More than twenty years	13,949	10,000
Total	59,539	58,789

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 2013 were held with banks and building societies. At 31 March 2013 the Council had short-term investments of £3.525 million.

	31 March 2012 £000	31 March 2013 £000	Change in year £000
Short Term Investments	3,030	3,525	495
Total	3,030	3,525	495

➤ *Market Risk*

Interest Rate Risk

The Council 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 Council. 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 Council has a number of strategies for managing interest rate risk. Policy is to assess the likelihood of movements in interest rates, when taking decisions on variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. 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 Council'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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Actual 2011/12 £000	Actual 2011/12 £000		Actual 2012/13 £000	Actual 2012/13 £000	Note
		EXPENDITURE			
2,517		Repairs and Maintenance	2,769		5
		Supervision and Management			
1,069		- General	1,100		
419		- Special Services	441		
(467)		Depreciation and Impairment of non current assets	1,463		8
-		Debt Management Costs	2,412		
70		Movement in the allowance for bad debts	81		12
3,728		Payment to Communities and Local Govt	(7)		10
59,539		Housing Self Financing Settlement payment	-		
	66,875	TOTAL EXPENDITURE		8,259	
		INCOME			
(9,754)		Dwelling rent	(10,565)		13
(311)		Non-dwelling rent	(331)		
(161)		Charges for Services and Facilities	(73)		
(150)		Grant for New Build	(70)		
	(10,376)	TOTAL INCOME		(11,039)	
	56,499	Net Cost of HRA Service as included in the Comprehensive Income and Expenditure Statement		(2,780)	
	33	HRA service share of Corporate and Democratic Core		61	
	56,532	Net Income/cost for HRA Services		(2,719)	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	(223)	(Gain) or loss on sale of HRA non-current assets		(88)	
	56	Interest payable and similar charges		70	
	(81)	Interest and Investment Income		(18)	15
	9,006	Capital grants and contributions receivable		6,050	
		Surplus or Deficit on Revaluation of Property, Plant and Equipment			
	65,290	(Surplus) or Deficit for the year on HRA Services		3,295	

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.

2011/12 £000		2012/13 £000
(850)	Balance on the HRA at the end of the previous year	(676)
65,290	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	3,295
(65,851)	Adjustments between accounting basis and funding basis under statute	(5,929)
(561)	Net (Increase) or decrease before transfers to or from reserves	(2,634)
735	Transfers to or (from) reserves	2,353
174	(Increase) of decrease in year on the HRA	(281)
(676)	Balance on the HRA at the end of the current year	(957)

Adjustments between accounting basis and funding basis under statute:

2011/12 £000		2012/13 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
(6,931)	Reversal of Impairment losses and revaluations	(6,050)	9
223	Gain or (Loss) on sale of HRA Property, Plant and Equipment	88	
9	Net charges made for retirement benefits in accordance with IAS 26	(16)	11
(2)	Reduction/(Increase) in accrual for employee benefits	(18)	
150	Reversal of grant for new build	70	
(6,551)	Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year	(5,926)	
29	Amortised Premiums and Discounts	29	14
(59,468)	Transfer to/(from) Capital Adjustment Account	(70)	14/15
139	Transfer to/(from) Major Repairs Reserve	38	4
-	Capital expenditure funded by the HRA	-	6
(65,851)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	(5,929)	

Transfers to or from reserves

2011/12 £000		2012/13 £000	Note
(59)	Transfer to/(from) the Housing Repairs Reserve	8	5

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2013

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 2,734 dwellings during 2012/13, consisting of the following:

2011/12		2012/13
1,479	Houses	1,470
669	Flats	668
591	Bungalows	591
2,739	Total at 31 March 2013	2,729
	The change in stock was as follows: -	
2,743	Stock at 1st April	2,739
(8)	less Sales	(11)
4	New Build	1
2,739	Stock at 31 March 2013	2,729

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £94.882 million as at 31 March 2013. 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 2012 £000	Asset Type	Balance as at 31 March 2013 £000
31,445	Land	28,288
66,648	Council Dwellings	62,923
13	Plant and Vehicles	11
3,696	Other Property	3,525
101,802	Total	94,747
66,648	Operational Assets – Dwellings	62,923
30,441	- Land	27,555
3,636	- Other Buildings	3,525
13	- Plant and Vehicles	11
1,064	Non-operational Assets	733
101,802	Total	94,747

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 £264,280 million. This is different to the gross book value of the assets included within the balance sheet of £89,855 million, which is based upon the continuing use of housing for social use. The difference between the two amounts is the economic cost of providing council housing at less than open market value.

4. Major Repairs Reserve

Whilst in the National Housing Pool, we received a Major Repairs Allowance from the Government to be used for capital spending on HRA assets. This allowance was held within the Major Repairs Reserve. From April 2012, a contribution has been made from the HRA into the Major Repairs Reserve and the movement in the year is detailed below.

2011/12 £000		2012/13 £000
(1,057)	Balance as at 1 April	(1,614)
(1,610)	Transfer into Reserve – Depreciation	(1,463)
(139)	Transfer into Reserve – Appropriation	(38)
1,192	To finance Capital Expenditure – Houses	1,494
(1,614)	Balance as at 31 March	(1,621)

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:

2011/12 £000		2012/13 £000
111	Balance brought forward	52
2,463	Contributions from HRA	2,769
(2,522)	Use of Fund	(2,761)
52	Balance as at 31 March	60

6. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2012/13, spent £1,871,333 (£1,712,169 in 2011/12). This expenditure was used to fund work on council houses of £1,525,623 (£1,448,333 in 2011/12), garages of £10,215 (£37,410 in 2011/12), the completion of the new house building project of £114,386 (£156,626 in 2011/12) and community centres of £221,109 (£69,800 in 2011/12). Capital spending during the year has been paid for from a number of sources and these are shown below:-

2011/12 £'000	Source of Funding	2012/13 £'000
(1,192)	Major Repairs Reserve	(1,494)
(149)	Grants and Contributions	(70)
(371)	Capital Payables	(307)
(1,712)	Total	(1,871)

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 2012/13 capital income of £527,525 was received from the sale of 11 council houses (£461,500 for 8 houses in 2011/12), £149,809 from the sale of land to developers at Queensway, Hurley and Old Farm Road, Mancetter (£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 in 2011/12).

8. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2012/13 the amount of depreciation charged is as follows.

2011/12 Operational assets £000		2012/13 Operational assets £000
1,426	Council Dwellings	1,378
184	Other Property	88
2	Vehicles	2
1,612	Total (*)	1,468

()The variance between this figure and the figure shown in the Housing Revenue Account Income and Expenditure statement reflects some depreciation that is contained within the Housing Repairs Fund.*

9. Impairment charges

HRA impairments that took place within the year amounted to £126,799 covering various community centres and shops, non of which were charged against to the Surplus or Deficit on the Provision of Services.

10. Housing Revenue Account Subsidy/Payment to the CLG

From April 2012 the Council is operating under a Self Financing system and will not receive housing subsidy from the National Housing Pool.

The calculation for the model is shown below:

2011/12 £000		2012/13 £000
3,989	Management and Maintenance	-
1,749	Major Repairs Allowance	-
95	Loan Charges	-
(9,586)	Rent Income	-
(3,753)	Subsidy Receivable/(Payment to the CLG)	-

NB. The figures shown in the HRA for 2012/13 (pages 4 and 57), relates to adjustments relating to prior years. 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 Council to decide how to account for IAS 26 within the HRA.

It is our view, pending the receipt of any new guidance, that as the entries on the HRA are defined by statute, there should be no effect on the overall financial position of the HRA. However as IAS 26 requires that all services show the Current Service Cost of the benefits earned by its employees in the year, the Housing Revenue Account has been charged with an amount of £16,363 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

12. Rent Arrears

At 31 March 2013 the total rent in arrears was £247,579, which represents 2.34% of collectable rent income (1.95% in 2011/12). The rent arrears figures are detailed below: -

2011/12 £000		2012/13 £000
123	Arrears at 31st March: - Present Tenants	159
68	Former Tenants	89
191	TOTAL ARREARS	248

The allowance for bad debts at 31 March 2013 was £180,074 (£128,372 at 31 March 2012). Debts totalling £31,404 were written off during the year (£0 written off in 2011/12). The Council has decreased the provision for the non collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £1,976 (£12,489 increase in 2011/12).

13. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 0.82% of lettable properties were vacant (0.51% in 2011/12). Average rents were £81.23 a week in 2012/13 (excluding service charges) on a 48 week basis, an increase of £6.65 or 8.91% over the previous year.

14. Charges for Borrowing

The Housing Revenue Account repaid £750,000 of the long term borrowing it took out as part of the move to the Housing Self Financing system and £1,661,352 in interest payments on the borrowing still outstanding. Any short term borrowing needed to manage HRA cash flows during the year would be managed on a council basis, with a charge being made to the HRA for its share of the borrowing. The HRA did not require any short term borrowing in 2012/13.

In previous years our external debt covered both General Fund and HRA activities. 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 2012/13, and received discounts of £505. This leaves outstanding premiums of £29,458 to be paid in future years, with discounts of £504 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 2012/13 this amounted to £17,988 (£10,166 in 2011/12).

Revaluation of shops classed as investment properties during the year showed a decrease in the property valuations of £70,650 (£70,650 increase in 2011/12), 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 2013

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

2011/12 £000		2012/13 £000	2012/13 £000
	INCOME		
29,580	Income from Council Tax (net of benefits and transitional relief)	30,145	
4,578	Transfers from the General Fund	4,518	
(1)	Council Tax Benefits	(1)	34,662
34,157	Transitional Relief		
40,141	Income Collectable from Business Ratepayers		39,233
74,298			73,895
	EXPENDITURE		
	Precepts and Demands :-		
24,661	Warwickshire County Council	25,027	
3,716	Warwickshire Police Authority	3,920	
5,330	North Warwickshire Borough	5,426	34,373
33,707			
	Distribution of Surpluses :-		
335	Warwickshire County Council	254	
51	Warwickshire Police Authority	38	
73	North Warwickshire Borough	55	347
459			
	Business Rate :-		
40,031	Payment to National Pool	39,121	
110	Cost of collection	112	39,233
40,141			
	Bad and doubtful debts/appeals :-		
42	Arrears Written Off		52
48	Provision for un-collectable amounts		52
(99)	Increase/(Decrease) in Fund Balance		(162)
74,298			73,895
517	Balance at 1 April		418
(99)	SURPLUS/(DEFICIT) FOR THE YEAR		(162)
418	Balance at 31 March 2013		256

Precepts and Demands on the Collection Fund

2011/12 Total £000	Authority	Precept /Demand £000	Share of 31 March 2013 Surplus £000	2012/13 Total £000
24,967	Warwickshire County Council	25,027	186	25,213
3,762	Warwickshire Police Authority	3,920	29	3,949
5,396	North Warwickshire Borough Council	5,426	41	5,467
34,125	Total	34,373	256	34,629

Notes to the Collection Fund for the year ended 31 March 2013

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 2012/13 the base was calculated as follows: -

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	5,574.65	6/9	3,714.24
B	6,178.70	7/9	4,805.66
C	5,353.15	8/9	4,758.36
D	3,439.10	9/9	3,439.10
E	2,022.45	11/9	2,471.88
F	1,114.55	13/9	1,609.91
G	641.10	15/9	1,068.50
H	63.15	18/9	126.30
			21,993.95
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			(329.88)
COUNCIL TAX BASE 2012/13			21,664.07

On the basis of an average £1,543.51 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £33.439 million (£1,543.51 x 21,664.07). 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 20 March 2013 are accounted for in the following year, to allow the system to be rolled forward and future bills prepared. We were notified of decreases of £750 after the 20 March 2013, due to changes to the valuations of properties, which will be included within the 2013/14 accounts.

The total non-domestic rateable value at the year-end was £95,594,854 (£99,740,005 in 2011/12). The national non-domestic rate for small businesses was 45.0 pence (42.6 pence in 2011/12) and the rate for other businesses was 45.8 pence (43.3 pence in 2011/12).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations England 2011, which require those statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Statement of Accounts have been prepared with reference to:-

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

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

2. Accruals of Income and Expenditure

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

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

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

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

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3. Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. Charges to Revenue for Non-Current Assets

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

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

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

We are not required to raise council tax to cover depreciation, revaluation and impairment losses and intangible asset amortisation. However, we are required to make an annual provision from revenue towards reducing our borrowing requirement 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 2012/13, we reviewed some additional provision we had made in prior years, and as this exceeded the sum calculated for 2012/13, 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes out the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or, an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer, or 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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

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

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

- Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.
- The change in the net pension liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of a years service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, which is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
 - actuarial gains and losses – changes in the net pension’s liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which are debited to the Actuarial gains and losses on pension assets and liabilities line in the Comprehensive Income and Expenditure Statement.
 - Contributions paid to the Warwickshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlements of liabilities; not accounted for as an expense.
 - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, which are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

For retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are 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 Council has had a policy of not awarding any discretionary benefits to employees taking early retirement.

6. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

7. Exceptional items

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

8. Prior 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior 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 Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment

Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets

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

10. Government Grants and Other Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance sheet as Payables (in Capital Grants / Contributions Received in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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 Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are included on the balance sheet initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

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

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

12. Inventories and Long term Contracts

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

13. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, 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 dependent on the use of specific assets.

The Council as a Lessee

Finance Leases

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as a Lessor

Operating Leases

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the 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 Council and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. We only include individual pieces of land and buildings that exceed £10,000, and plant and equipment that exceed £5,000 in our asset register.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any cost attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (if this is appropriate).

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

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

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

- **Infrastructure assets, community assets and assets under construction** - depreciated historical cost. Where this is not known for community assets, a nominal value of £1 has been included. 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 Council 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 Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

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

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Reserves

We set aside specific amounts as earmarked reserves, for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the Movement in Reserves Statement on page 9 and notes 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 Council's Heritage Assets relate to the office of the Mayor. Civic regalia are reported in the balance sheet based on the insurance valuation of the items and also the market price of gold. These insurance valuations are updated annually. Any impairment recognised would be measured using the cost incurred in repairing the asset(s).

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 Council's plans for expenditure over a specified period of time.
BUSINESS RATES (Non-domestic rates – NDR)	Businesses pay these rates instead of council tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority in that area. 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 Council 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 Council 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 council services. These are either for particular services or purposes (specific grants) or to fund local services generally (revenue support and area based grant).
GROSS EXPENDITURE	The cost of providing the Council's services before allowing for Government grants or other income.
HERITAGE ASSETS	For us, these are assets that are used by the Office of the Mayor.
HOUSING BENEFITS	A system of financial assistance towards certain housing costs, e.g., Rent Rebates, which are administered by the local council.
HOUSING REVENUE ACCOUNT (HRA)	The account, which shows all the income and expenditure incurred in the management and maintenance of the Council's housing stock.
IMPAIRMENT	This is a reduction in an asset value due to physical damage, obsolescence or a decline in its market value.
INFRASTRUCTURE ASSETS	These are inalienable assets, expenditure which is recoverable only by continued use of the asset created (e.g. street lighting, tidy bins, and footpaths).
INTANGIBLE ASSETS	Spending on assets, this cannot be physically seen, such as computer software.
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 Council 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 and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is available on our website. This statement explains how the Council has complied with the code and also meets the requirements of 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 Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 2013 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. Consultation is undertaken with stakeholders, as part of the review process. This Community Strategy is used to inform the Council's Corporate Plan, which provides clear links on how the achievement of Council priorities assists in the delivery of community objectives. Other mechanisms are also used and an example of these is the range of partnerships across Warwickshire, which is playing an increasing part in influencing the work of the Council. As consultation is part of these mechanisms, and as these are ongoing, they also require the Council to be accountable for the actions they have taken over time.

The Corporate Plan is approved before the start of each year and identifies the headline targets for the coming year, which are supported by greater detail within individual service plans. 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 year 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 2012/13, the Council has used Lean System reviews to re-examine the provision of a number of service areas in Housing, Streetscape and Leisure Services. However this does not prevent the Council from looking for efficiencies on an ongoing basis. Work has been undertaken during the year, to formalise the arrangements for operating Disabled Facility Grants in conjunction with other partners, following the success of the pilot scheme.

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. There has been a comprehensive review of the remit of Boards during the year through the Democratic Arrangements Task and Finish Group. 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 2012/13.

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. The Member Code of Conduct changed during the year, and the process for dealing with non compliance by Members now involves at least one Independent Person. Training sessions were held for Members and Parish Councils this year on the new Code.

There are risks involved with the provision of any services, so the Council uses a system of risk management to minimise and manage the risks it faces. It does this by identifying both strategic and operational risks, looking at existing controls in place to reduce these, and amending these or bringing in new controls where this is beneficial. Risk management is led by the Deputy Chief Executive, with support from Finance and Human Resources, who promote and co-ordinate risk

management across the Council. The system involves an annual review of strategic risks by the Senior Management Team and an annual review of operational risks in their service areas by senior managers. Some checking is carried out throughout the year by the Internal Audit section. In addition the Resources Board receive updates on risk management activity undertaken.

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

The Council accounts for its decisions through the information it publishes. It also is subject to scrutiny through a variety of means: self scrutiny by its Scrutiny Board, internal and external audit work, central and regional inspection agencies and reviews by service users. The Council is also accountable to the public and local groups and uses consultation to assess whether it is meeting local expectations. Public speaking at Planning Board and question time at all Boards has recently been added to Board agendas as part of the work to make us more accountable to the public. The Council has a consultation strategy, which was reviewed during the year, 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 Council 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 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. There has been further review of the constitution during the year, and some adjustments have been made to give Boards a sharper focus, so that there is no overlap of jurisdiction between Boards. The areas delegated to the Executive Board have also been reviewed. It has also been agreed that time will be set aside at each Council and Board meeting to allow the public to question the work of the Council. 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.

The Council resolved to continue to have a Scrutiny Board, so scrutiny arrangements continued during the year. A number of areas were examined: the trade waste service, the dog warden service and consultation on Coleshill Leisure Centre.

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:

- Fleetcheck and TomTom systems have been introduced to improve the management and efficiency of the transport fleet and the Triscan fuel management system has been upgraded
- New fire safety measures have been introduced at the depot
- Child protection training continued to be delivered to relevant staff throughout the Council. The implementation of the provisions of the Section 11 Audit Action Plan started, with regular monitoring of progress
- Introduced Payment Card Declaration and tightened card payment security measures
- Close working with the Valuation Office to mitigate business rate risks
- The Medium Term Financial Strategy updated to reflect the reduced funding available, as well as the identification of 2013/14 savings
- Research on the new business rate system for 2013/14, which led to the Council joining the Coventry and Warwickshire Business Rate Pool
- Further rationalisation of democratic arrangements and the constitution
- Partnership working to progress the Core Strategy
- ICT Health Check commissioned and completed for GCSX accreditation (Gov Connect)
- Action plans developed for asset management and welfare reform challenges in housing
- Review of procedures in connection with application for Telecare Services Authority accreditation
- The Treasury Management Strategy was reviewed and updated, including a revised lending list
- Service managers were supported in the management of sickness absence
- Human resources policies were reviewed and updated where necessary to ensure compliance with employment law
- Work carried out in line with the agreed Audit Plan, with ad hoc work where necessary

Further actions will be taken in 2013/14, including:

- Project management plans will be drawn up for all corporate buildings
- Post-installation inspection and site risk assessment of new play spaces will be undertaken by the Child Play Advisory Service
- Monitor progress of Single Fraud Investigation service to ensure fraud cover is maintained
- Review of the Council Tax Support scheme
- Monitoring the impact of exemption changes on the collection of Council Tax, the collection of business rates and the benefits of the Local Pooling arrangement

- Work to try and mitigate the impact of HS2 on the Borough
- Active engagement with key partners in areas such as City Deal
- Emergency planning exercises
- Implement a virtualisation solution with resilient data storage to improve Disaster Recovery and Business Continuity
- Work to ensure access to systems and telephony is maintained during the Accommodation project
- Engage with Green Deal suppliers and identify ECO opportunities
- A formal, independent review of health and safety procedures and systems in Housing Direct Works
- Lone Worker Policy to be reviewed
- Reassessment of all insurance cover, as part of a full insurance renewal exercise
- To review the arrangements for exit interviews
- To analyse and comply with the revised Auditing Standards

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 7

Executive Board

30 September 2013

**Report of the
Deputy Chief Executive**

External Auditors' Report

1 Summary

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

Recommendation to Council

That the contents of the External Auditors' report be noted.

2 Report on the Financial Statements

- 2.1 The Council's appointed auditors, PricewaterhouseCoopers LLP, have carried out their audit of the 2012/13 financial statements. As mentioned in the previous report there is an outstanding query on the Local Authority Mortgage Scheme. This has delayed the completion of the auditors' report, so it has not been possible to send it out with the agenda. If possible the report will be sent out separately next week, or if not, will be circulated at the meeting.

3 Report Implications

3.1 Finance and Value for Money Implications

- 3.1.1 These are covered in the Auditors' report.

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

Background Papers

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

Background Paper No	Author	Nature of Background Paper	Date

Agenda Item 8

Executive Board

30 September 2013

Report of the Assistant Chief Executive and Solicitor to the Council

Licensing Committee – Delegation Arrangements

1 Summary

- 1.1 This report recommends delegation arrangements for the new functions in the Scrap Metal Dealers Act 2013.

Recommendation to the Council

That the delegation arrangements detailed in the report and appendix be approved

2 Consultation

- 2.1 The arrangements are of general application and therefore no specific consultation has taken place.

3 Report

- 3.1 The Scrap Metal Dealers Act 2013 (the 2013 Act) received Royal Assent on the 28 February 2013, delivering much needed reform of the scrap metal sector. The 2013 Act will provide effective and proportionate regulation of the sector, creating a more robust, local authority run, licensing regime that will support legitimate dealers yet provide the powers to effectively tackle unscrupulous operators. It will raise trading standards across the whole sector.
- 3.2 The 2013 Act will allow local authorities to decide who should and should not be licensed, allowing them to refuse a licence upon application or to revoke a licence at any time if they are not satisfied that the applicant is a suitable person to carry on business as a Scrap Metal Dealer. The act also creates closure powers for unscrupulous dealers who operate without a licence. It extends the record keeping requirements placed upon scrap metal dealers and requires the verification of the people Scrap Metal Dealers are transacting with. The act will integrate the separate regulation for motor salvage operators with the scrap metal sector.
- 3.3 As the functions under the 2013 Act are licensing matters it makes sense to include them within the terms of reference for the Licensing Committee. The attached report details the suggested delegation arrangements and will be considered by the Licensing Committee on 23 September. The decision of that Committee will be reported verbally and this Board is asked to adopt the arrangements for the discharge of this function.

4 Report Implications

4.1 Finance and Value for Money Implications

4.1.1 Under the EU Services Directive the Council can recover the cost of administering and checking compliance with the Act. However the cost of enforcement against unlicensed operators cannot be recovered and will have to be met from existing resources. The possible implications are unknown at the present time.

4.2 Safer Communities Implications

4.2.1 Metal theft is an increasing area of crime and it is intended that these provisions will lead to a fall in the amount of crime being committed.

4.3 Legal and Human Rights Implications

4.3.1 There are no material legal implications arising from the introduction of these powers provided the relevant statutory procedures are followed.

4.4 Environment and Sustainability Implications

4.4.1 There are no adverse environmental implications in the report. The proposals will help maintain the quality of the environment by reducing the amount of metal theft.

4.5 Health, Wellbeing and Leisure Implications

4.5.1 The powers will allow greater control over collectors and should reduce the noise and nuisance often associated with these activities

4.6 Human Resources Implications

4.6.1 Any applications that are received can be dealt with within existing resources due to the repeal of the existing legislation relating to scrap metal dealers and motor salvage operators.

4.7 Risk Management Implications

4.7.1 There are no risk management implications provided the relevant statutory procedures are followed.

4.8 Equalities Implications

4.8.1 There are no negative impacts of opportunity for any known group.

4.8.2 Applications will be considered in accordance with legislative requirements and Council policies and each case will be judged on its merits. Therefore there are no equality impact issues in respect of the granting of licences. Raising

awareness of the legal requirements with members of the public will be a key part of the implementation of the licences both nationally and locally.

4.9 **Links to Council's Priorities**

4.9.1 Protecting and improving our environment. Working with our partners to tackle crime, the fear of crime and anti-social behaviour.

The Contact Officer for this report is Steve Maxey (719438).

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 5

Licensing Committee

23 September 2013

Report of the Assistant Chief Executive and Solicitor to the Council

Scrap Metal Dealers Act 2013

1 Summary

- 1.1 The report informs the Committee of the above Act and proposes procedures for the functions to be discharged.

2 Recommendation to Executive Board

- a. **That the functions within the Scrap Metal Dealers Act 2013 be added to the terms of reference of the Licensing Committee;**
- b. **That the delegations to Officers detailed in the report be approved and included in the constitution within the terms of reference for the Licensing Committee from the Community and Environment Board; and**

Recommendation to the Committee

- c. **That applications under the Scrap Metal Dealers be determined as detailed in the report.**

3 Scrap Metal Dealers Act 2013

- 3.1 The background to the changes being introduced by the Scrap Metal Dealers Act 2013 ("the Act") is set out in another report to this Committee and is not therefore repeated here. This report recommends the arrangements for determining applications and dealing with proposed revocations.
- 3.2 It is clear that the functions detailed in the Act should be dealt with by this Committee. For all other Licensing applications the Assistant Chief Executive and Solicitor to the Council has delegated powers to approve any applications or renewals unless objections are received following the consultation process. Any proposed revocations are also dealt with by Members. Such cases would be heard by the Licensing Sub-Committee and for consistency therefore it is suggested that applications, renewals and revocations under this Act be dealt with in the same way. The Executive Board would therefore be asked to approve the necessary constitutional amendments.

- 3.3 The enforcements powers under the Scrap Metal Dealers Act 1964 are currently part of the Community and Environment Board's delegated powers, given that it was part of the general Environmental Health function. It is proposed that the enforcement powers remain the same and be delegated to the same staff within the Environmental Health Division but that the Licensing Officer be added to the list of those officers and that it moves under this Committee's remit given the change in legislation. Again the Executive Board would be asked to approve that change to the constitution.

The contact officer for this report is Steve Maxey (719438)