

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS 2016/17

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

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Deputy Chief Executive's Narrative Report

1. An Introduction to North Warwickshire

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

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

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

Statistics Relating to North Warwickshire

- The Borough covers **110 square miles**
- A resident population of around **62,500**, with White British the major ethnic group
- **£44 million** of business rates are collected annually - only £2 million of this is kept by the Council
- Council tax of **£34 million** is collected annually - only £4.1million of this is kept by the Council
- We have **31** play areas and **24** sports pitches
- A current recycling rate of **48.73%**
- We dealt with **891** planning applications in 2016/17
- We manage and maintain **2,661** council houses
- We issued **845** licences
- There are **71** industrial units available for small businesses
- We run **3** leisure centres and **1** swimming pool
- Refuse is collected from **27,918** domestic properties and **383** trade properties

2. Council Performance

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

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

Six priorities for achieving that vision were agreed, with a corporate plan for 2016/17 to take those priorities forward. Some actions taken during the year are set out below:

Responsible Financial & Resources Management

- Savings of £739,220 were taken out of the budget prepared for 2017/18, in line with the financial strategy
- Continued work around the collection of council tax, council house rents and the recovery of housing benefit overpayments
- The corporate debt framework was reviewed

Creating Safer Communities

- Promoted the safeguarding of children, young people and adults
- Worked on projects to reduce rural crime
- Used mobile CCTV cameras to help gather evidence of reported incidents

Protecting Our Countryside and Heritage

- The draft Local Plan went out for consultation, with around 2,000 representations received
- Design champions worked to ensure the best achievable designs are implemented and developed

Improving Leisure and Wellbeing Opportunities

- Promotion of cycling, through the International Women's Cycle Race and related activities
- Commissioned a strategic review of leisure provision within the Borough
- The recruitment of 2 Green Space Officers, who are working on improving the Council's recreation areas and open spaces

Promoting Sustainable and Vibrant Communities

- Worked with public, voluntary and business partners to deliver ongoing food related projects, including health related activities
- Continued to promote and develop affordable housing in the Borough

Supporting Employment and Business

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

What's next?

- The identification of savings of £550,000 for inclusion within the 2018/19 budget
- To promote the Borough Care service to increase customer take up and to shape the service for the future
- Continue work with the County Council and other agencies on a review of car parking in the Borough, to include on and off street car parking
- To work with public, voluntary and business partners to deliver on-going food related projects to support individuals and community organisations
- Continue the roll out of the Broadband UK (BDUK) project
- Work with partner organisations across the West Midlands for the benefit of North Warwickshire – the Council is part of the West Midlands Combined Authority as a non-constituent member.
- To implement the results of the strategic review of the Council's leisure facilities
- To tackle fly tipping through joint working and increased promotion, monitoring and enforcement
- To complete the new build schemes for affordable housing.

Resident / Satisfaction Surveys

An annual survey of council tenants is undertaken to assess their satisfaction with their homes, the service they receive and their locality. Although there were small dips in a few service areas, the survey in 2016/17 showed 88% satisfaction with the service provided by the Council and 85% satisfaction with the overall quality of homes.

The Council operates a complaints and compliments process. During 2016/17, 58 complaints and 61 compliments were received. This compared to 73 complaints and 79 compliments the previous year.

3. Financial Performance

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

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

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

Revenue Spending in 2016/17

General Fund Services

These are all the services we provide except for our own council housing stock, which is funded and accounted for separately. We originally planned to spend £9.04 million after allowing for expected income generated by services. We continued to include some funding towards the introduction of faster broadband within North Warwickshire in the budget. The table below shows the actual spending against our plans.

	Planned Spending £000	Actual Spending £000
Community & Environment	5,283	5,216
Executive Services	580	540
Planning & Development	242	270
Licensing	(4)	(3)
Resources	2,572	2,439
Contingencies	177	-
Revenue spending on Capital Projects	119	119
Payments to Parish Councils	71	70
Total Spending	9,040	8,651

We planned to fund this spending mainly through council tax, government grant and business rates. We took the decision not to increase council tax in 2016/17, continuing to leave it at 2011/12 levels.

	Expected Funding £000	Actual Funding £000
Council Tax	4,261	4,261
Revenue Support Grant	899	899
New Homes Bonus	972	972
Business Rates	2,109	2,109
Interest on Balances	180	140
Use of Balances	619	270
Total Funding	9,040	8,651

The main changes from the planned budget relate to:

- Reduced staffing costs. In addition to savings arising from the normal turnover of staff, we review all vacancies as they arise and have kept some posts vacant whilst we carry out service reviews;
- There has been no requirement to use the contingency sum set aside; and
- Investment income has reduced due to lower than expected rate of return on investments.

Housing Revenue Account (HRA)

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

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

	Planned Spending £000	Actual Spending £000
Management Services	1,953	1,846
Repair Services	3,066	3,097
Cost of Borrowing	3,061	3,061
Capital spending on properties	3,504	3,527
Provision for Bad Debts	174	31
Income set aside in general balances for future spending	375	532
Total Spending	12,133	12,094

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

	Expected Funding £000	Actual Funding £000
Rents from housing, garages and shops	11,965	11,953
Service charges	88	112
Interest on Balances	80	29
Total Funding	12,133	12,094

The main changes from the planned budget relate to:

- General underspends on premise related costs, supplies and service costs and bank charges;
- The Supporting People service ended, along with related funding;
- There has been a reduction in rental income due to new homes being acquired/let later than budgeted for and a higher level of void properties;
- Good rent collection levels have meant a lower contribution is needed to the bad debt provision; and
- Low interest rates have meant less interest earned on balances held by the Housing Revenue Account.

Revenue Reserves

At the end of the year our total revenue reserves amounted to £17.561 million. These are shown below:

	General Fund £000	HRA £000
General balances – held for unexpected future events	3,814	3,321
Capital reserves – held for spending on assets with a lasting value	1,197	3,794
Earmarked reserves – held for specific purposes or activities	3,899	1,536
Total	8,910	8,651

Capital Spending

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

The 2016/17 capital programme shown below includes schemes from 2015/16 which were rolled forward due to timing issues. Actual spend in the year is also shown, together with commitments made which will be settled in 2017/18.

	Capital Programme £000	Spending in 2016/17 £000	2016/17 Commitments to Be Paid in 2017/18 £000
Council Housing – existing stock	4,564	3,212	1,142
Council Housing – new build	4,895	4,097	799
General Fund buildings	351	331	-
General Fund play areas and recreation grounds	85	56	30
General Fund vehicles	175	164	-
General Fund - IT and equipment	169	146	2
Private sector housing	518	265	-
Total Spending	10,757	8,271	1,973

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

We used some of this to fund the spending in 2016/17. The remaining funding used in 2016/17 came from reserves earmarked for capital, revenue funding and borrowing.

Collection Fund

We collect business rates of £44 million from businesses within our area, which is kept in a separate account called the Collection Fund. Following business rate localisation introduced in 2013, the Council has to set aside a provision for future successful ratepayer appeals

against rateable valuations. This is our most significant provision, amounting to £5.017 million. At the 31 March 2017 we had 268 appeals outstanding.

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

Balance Sheet

The Balance Sheet includes pension costs to meet International Financing Reporting Requirements. We show the assets and liabilities relating to retirement benefits we are responsible for as an employer, so that we show the true cost of our responsibilities. A net pension asset indicates that contributions have effectively been overpaid relative to the future benefits earned to date by our employees. A net liability shows an effective underpayment. Our fund liability has increased by £1.966 million in the year.

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

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

	31 March 2016 £000	31 March 2017 £000
Non current assets	143,737	163,156
Net current assets – debtors, stock and cash less short term liabilities	8,839	8,533
Long term liabilities and provisions	(80,450)	(80,831)
Net assets	72,126	90,858
Represented by: Useable reserves	25,778	23,107
Represented by: Unusable reserves	46,348	67,751

Financial Challenges in 2017/18

The Medium Term Financial Strategy was updated during the year. The four year Funding Settlement announced in December 2015 has been used to give the expected level of funding from central government. Savings targets within the Strategy were also updated to reflect expected funding and spending pressures. The reductions needed for 2017/18 were found before the year started, and included with the approved budget. The latest version of the Strategy requires further savings of £1.45 million over the following three years, with a target of £0.55 million to be found in 2017/18 ready for inclusion within the 2018/19 budget.

The latest revision of the HRA Business Plan anticipates a surplus of £63.3 million at the end of the 30 years, after capital spending on existing properties and new build of £167 million. However the Plan does not include payments that will need to be made to central government to reimburse housing associations for Right to Buy sales of their stock. We are still waiting for details of the payments that will be required but anticipate they will have a major impact on our current Business Plan.

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

4. People

We currently employ 487 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 43%, Female 57%

Ethnicity: White 52%, Unknown 48%

Age: 24 and under 10%, 25-34 15%, 35-49 34%, 50-65 37%, 65 and over 4%

Declared Disability: Yes 1%, No 25%, Unknown 74%

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

5. Principal Risks and Uncertainties

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

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

The top risks from our risk register are shown below:

Strategic

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

Operational

Risk	Impact	Mitigation
Reduced or no market for recyclable materials	A significant increase in the costs of the recycling service could lead to an inability to maintain the service at current levels and may impact on the provision of other services.	Ongoing discussions with local waste management companies. Latest material contracts have maximum gate fees and profit share element. Use of partnerships and joint procurement of contracts, which are regularly reviewed.
Failure to maintain the Council's tree stock to an appropriate safety standard	Injury to members of the public and staff. Damage to property.	System to manage customer contacts and address urgent works. New arrangements to provide more capacity and resilience have been implemented
A major out of hours environmental incident not responded to	An unsafe, illegal and ongoing situation not dealt with.	Agreed procedure for contacting relevant staff. Some contractual obligation but loosely drawn.
North Warwickshire considered a low priority for the use of policing resources	Levels of crime and disorder increase and the public lose confidence in the Police. Fear of crime increases within local communities. No grant is received and the opportunity to enhance community safety is lost.	NWBC member representation on the Police and Crime Panel. Use of a North Warwickshire Safer Communities Programme.
Loss of external funding support for service provision	Reduction in services to the public	Partnership working and the appointment of an Engagement and Funding Officer

Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2017. It is made up of core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which in turn is underpinned by International Financial Reporting Standards.

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

The **Core Statements** are:

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

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

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

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

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

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

The **Supplementary Financial Statements** are:

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

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

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

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

C J Brewer CPFA

Deputy Chief Executive, North Warwickshire Borough Council

STATEMENT OF RESPONSIBILITIES, ISSUE AND APPROVAL DATE

The Council's Responsibilities

The Council is required to:

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

The Deputy Chief Executive's Responsibilities

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

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

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

The Deputy Chief Executive has also:

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

Issue Date

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2016/17 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 2017.

All known material events that have occurred up to and including this date, which relate to 2016/17 or before have been reflected in the accounts.

Signed: 

Date: 21/9/17

C J Brewer CPFA, Deputy Chief Executive

North Warwickshire Borough Council Movement in Reserves Statement

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

	General Fund Balance	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 2015	4,289	5,546	1,979	5,662	4,690	1,536	9	23,711	15,522	39,233
<u>Movement in reserves during 2015/16</u>										
Total Comprehensive Income and Expenditure	6,302	-	23,199	-	-	-	-	29,501	3,392	32,893
Adjustments between accounting basis and funding basis under regulations (note 5)	(5,068)	-	(20,565)	-	928	-	(3)	(24,708)	24,708	-
Net Increase/Decrease before Transfers to Earmarked Reserves	1,234	-	2,634	-	928	-	(3)	4,793	28,100	32,893
Transfers to/from Earmarked Reserves (note 6)	(1,439)	322	(1,824)	215	-	-	-	(2,726)	2,726	-
Increase/(Decrease) in 2015/16	(205)	322	810	215	928	-	(3)	2,067	30,826	32,893
Balance at 31 March 2016 carried forward	4,084	5,868	2,789	5,877	5,618	1,536	6	25,778	46,348	72,126
Balance at 1 April 2016	4,084	5,868	2,789	5,877	5,618	1,536	6	25,778	46,348	72,126
<u>Movement in reserves during 2016/17</u>										
Total Comprehensive Income and Expenditure	(584)	-	15,327	-	-	-	-	14,743	3,989	18,732
Adjustments between accounting basis and funding basis under regulations (note 5)	578	-	(13,589)	-	(73)	-	(6)	(13,090)	13,090	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(6)	-	1,738	-	(73)	-	(6)	1,653	17,079	18,732
Transfers to/from Earmarked Reserves (note 6)	(264)	(772)	(1,206)	(2,083)	-	-	-	(4,325)	4,325	-
(Decrease)/ Increase in Year	(270)	(772)	532	(2,083)	(73)	-	(6)	(2,672)	21,404	18,732
Balance at 31 March 2017 carried forward	3,814	5,096	3,321	3,794	5,545	1,536	-	23,106	67,752	90,858

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2017

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation and rents. Councils raise taxation and rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis (note 27).

2015/16	2015/16	2015/16		2016/17	2016/17	2016/17
Restated	Restated	Restated				
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
691	(70)	621	Executive Board	875	(211)	664
8,469	(3,012)	5,457	Community and Environment Board	8,312	(3,093)	5,219
1,657	(1,441)	216	Planning and Development Board	1,707	(2,308)	(601)
127	(136)	(9)	Licensing Committee	128	(129)	(1)
19,203	(16,611)	2,592	Resources Board – Services	19,594	(17,417)	2,177
413	(515)	(102)	Resources Board – Recharged Services	510	(484)	26
11,696	(14,139)	(2,443)	Resources Board – Housing Revenue Account	11,718	(13,352)	(1,634)
42,256	(35,924)	6,332	COST OF SERVICES	42,844	(36,994)	5,850
1,293	(313)	980	Other Operating expenditure (Note 7)	1,457	-	1,457
3,259	(2,809)	450	Financing and investment income and expenditure (Note 8)	3,655	(3,238)	417
1,465	(9,622)	(8,157)	Taxation and non-specific grant income (Note 9)	716	(9,778)	(9,062)
48,273	(48,668)	(395)	Deficit /(Surplus) on Provision of Services	48,672	(50,010)	(1,338)
-	(20,374)	(20,374)	Surplus or Deficit on revaluation of Property, Plant and Equipment	-	(14,234)	(14,234)
-	-	-	Impairment losses on non-current assets charged to the Revaluation Reserve	-	-	-
-	-	-	Surplus or Deficit on revaluation of Available for Sale Financial Assets	-	(11)	(11)
-	(8,732)	(8,732)	Actuarial gains/losses on pension assets / liabilities	840	-	840
-	(29,106)	(29,106)	Other Comprehensive Income and Expenditure	840	(14,245)	(13,405)
48,273	(77,774)	(29,501)	Total Comprehensive Income and Expenditure	49,512	(64,255)	(14,743)

North Warwickshire Borough Council

Balance Sheet as at 31 March 2017

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

31 March 2016 £000		Note	31 March 2017 £000
134,744	Property, Plant and Equipment	10	153,943
574	Heritage Assets	11	666
7,046	Investment Property	12	7,344
238	Intangible Assets	13	203
135	Assets Held on Leases	37	-
1,000	Long Term Debtors	14	1,000
143,737	LONG TERM ASSETS		163,156
14,039	Short Term Investments	14/41	14,525
812	Assets held for Sale	19	812
70	Inventories	15	53
4,374	Short Term Debtors	14/17	1,080
1,359	Cash and Cash Equivalents	18	2,477
20,654	CURRENT ASSETS		18,947
(2,274)	Provisions	21	(2,007)
(9,541)	Short Term Creditors	14/20	(8,407)
(11,815)	CURRENT LIABILITIES		(10,414)
(54,989)	Long Term PWLB Loans	41	(53,539)
(135)	Other Long Term Liabilities (leases)	37	-
(25,326)	Pension Fund Liabilities	40	(27,292)
(80,450)	LONG TERM LIABILITIES		(80,831)
72,126	NET ASSETS		90,858
25,778	Usable Reserves	22	23,106
46,348	Unusable Reserves	23	67,752
72,126	TOTAL RESERVES		90,858

Signed 

Date 21/2/17

C J Brewer CPFA, Deputy Chief Executive

Cash Flow Statement for the Year Ended 31 March 2017

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

2015/16 £000		2016/17 £000
(395)	Net deficit or (surplus) on the provision of services	(1,338)
(4,140)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)	(2,066)
(16)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(477)
(4,551)	Net cash flows from Operating Activities	(3,881)
3,557	Investing Activities (Note 25)	3,727
1,708	Financing Activities (Note 26)	(964)
714	Net Increase or decrease in cash and cash equivalents	(1,118)
(2,073)	Cash and Cash Equivalents at the beginning of the reporting year	(1,359)
(1,359)	Cash and Cash Equivalents at the end of the reporting year (Note 18)	(2,477)

NOTES TO THE FINANCIAL STATEMENTS

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. No new accounting standards have been issued, but there are some amendments to standards introduced in the code, that are relevant for 2016/17 as follows:

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration

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

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 66 - 79, we have had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of capital spending that will be incurred in relation to individual assets. Any unanticipated spending on assets will put a strain on the remaining capital resources available which may bring into doubt the useful lives assigned to other assets.	<p>If the useful life of assets is reduced depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by around £90,000 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 £18.060 million.</p> <p>However, the assumptions interact in complex ways. During 2016/17, the Council's actuaries advised that the net pension's liability had increased by £12.515 million attributable to updating the assumptions.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions – NDR Appeals	<p>Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013. Local Authorities are liable for successful appeals against business rates charged to businesses in 2016/17 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2017. The estimate has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing an estimate of total provision up to and including 31 March 2017. The Council's share of the balance of business rate appeals provisions at this date amounted to £2.007m this has decreased by £0.267m from the previous year.</p>	<p>If successful appeals increased by 10%, this would require an additional £501,732. This Council's share would be £200,693 to be set aside as a provision.</p>
Arrears	<p>At 31 March 2017, we had a balance of sundry debtors of £218,718, whilst our share of council tax and NNDR arrears amounted to £287,089.</p> <p>A review of significant balances, using a sliding scale based on age, suggested that the following impairments of doubtful debts were appropriate:</p> <ul style="list-style-type: none"> - sundry debtors 21.07% (£46,090) - council tax 33.67% (£56,684) - NNDR 24.3% (£28,852). <p>However in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the doubtful debts would require an additional £131,626 to be set aside as an allowance.</p>

4. Material Items of Income and Expense

In overall terms the Council's housing stock increased in value during the year. Revaluation gains of £13.322 million went to the Housing Revenue Account. There were also some small gains on other properties across the Borough, of £0.502 million.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure we have included in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to us to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

Housing Revenue Account Balance

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

Capital Receipts Reserve

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

Major Repairs Reserve

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

Capital Grants Unapplied

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

2016/17	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:	-	14,234	-	-	-	(14,234)
Pension costs (transferred to (or from) the Pensions Reserve)	(1,910)	(56)	-	-	-	1,966
Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	1,815	-	-	-	-	(1,815)
Holiday pay (transferred to the Accumulated Absences Account)	8	5	-	-	-	(13)
Financial Instruments (transferred to the Available for sale Financial Instruments)	11	-	-	-	-	(11)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(692)	(2,093)	-	-	-	2,785
Total Adjustments to Revenue Resources	(768)	12,090	-	-	-	(11,322)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	1,515	(1,515)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(16)	16	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(346)	-	346	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(2,377)	-	2,377
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	423	-	-	-	-	(423)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	119	-	-	-	-	(119)
Total Adjustments between Revenue and Capital Resources	196	1,499	(1,153)	(2,377)	-	1,835
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,226	-	-	(1,226)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,377	-	(2,377)
Application of capital grants to finance capital expenditure	(6)	-	-	-	6	-
Total Adjustments to Capital Resources	(6)	-	1,226	2,377	6	(3,603)
Total Adjustments	(578)	13,589	73	-	6	(13,090)

2015/16	Usable Reserves						Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:	-	20,374	-	-	-	-	(20,374)
Pension costs (transferred to (or from) the Pensions Reserve)	7,202	(157)	-	-	-	-	(7,045)
Council tax and NDR (transfers to or from the collection Fund)	(806)	-	-	-	-	-	806
Holiday pay (transferred to the Accumulated Absences Account)	(4)	(4)	-	-	-	-	8
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,393)	(1,283)	-	-	3	-	2,673
Total Adjustments to Revenue Resources	4,999	18,930	-	-	3	-	(23,932)
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	1,651	(1,651)	-	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(16)	16	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(327)	-	327	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(1,982)	-	-	1,982
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	269	-	-	-	-	-	(269)
Capital expenditure financed from revenue balances (transfer to the - Capital Adjustment Account)	127	-	-	-	-	-	(127)
Total Adjustments between Revenue and Capital Resources	69	1,635	(1,308)	(1,982)	-	-	1,586
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	380	-	-	-	(380)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	1,982	-	-	(1,982)
Total Adjustments to Capital Resources	-	-	380	1,982	-	-	(2,362)
Total Adjustments	5,068	20,565	(928)	-	3	-	(24,708)

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 2016/17.

	Balance at 1 April 2015	Transfers Out 2015/16	Transfers in 2015/16	Balance at 31 March 2016	Transfers Out 2016/17	Transfers in 2016/17	Balance at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000
General Fund							
External funding received towards the provision of council services	765	(83)	116	798	(24)	331	1,105
One off funding set aside to progress specific council priorities	170	(73)	-	97	(2)	-	95
Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates	1,401	-	551	1,952	(932)	4	1,024
Other reserves held for revenue purposes to cover timing issues on spending	2,028	(406)	176	1,798	(457)	334	1,675
Reserves Held for Capital Spending	1,182	(614)	655	1,223	(148)	122	1,197
Total General Fund Reserves	5,546	(1,176)	1,498	5,868	(1,563)	791	5,096
HRA							
Housing Act Advances	5	(5)	-	-	-	-	-
Housing Repairs Reserve	337	(2,961)	3,135	511	(3,120)	3,097	488
Reserves held for Capital spending	5,320	(4,346)	4,392	5,366	(6,301)	4,241	3,306
Total HRA Reserves	5,662	(7,312)	7,527	5,877	(9,421)	7,338	3,794
Total Earmarked Reserves	11,208	(8,488)	9,025	11,745	(10,984)	8,129	8,890

7. Other Operating Expenditure

2015/16		2016/17
£000		£000
882	Parish council precepts	910
82	Grant to Parishes towards a loss of precept	70
327	Payments to the Government Housing Capital Receipts Pool	346
(311)	Gains on the disposal of non-current assets	131
980	Total	1,457

8. Financing and Investment Income and Expenditure

2015/16		2016/17
£000		£000
46	Interest payable and similar charges	31
1,046	Pensions interest and expected return on pension assets	890
(173)	Interest receivable and similar income	(140)
(469)	Income and expenditure in relation to investment properties and changes in their fair value	(364)
450	Total	417

9. Taxation and Non-specific Grant Income

2015/16		2016/17
£000		£000
(5,068)	Council tax income **	(5,171)
103	Non Domestic rates – Collection Fund adjustments	(1,212)
(1,744)	Non Domestic rates	(1,759)
(1,448)	Non-ring fenced government grants *	(920)
(8,157)	Total	(9,062)

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

** Council Tax income includes £91,870 contribution from the collection fund in 2016/17 (a contribution of £109,040 was included in 2015/16). The Council's share of the residual balance of £20,271 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2017/18 (£3,588 adjustment in 2016/17).

10. Property, Plant and Equipment

Movements in balances in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2016	81,656	50,763	6,397	88	124	933	66	140,027
Additions	4,123	526	310	-	13	2,708	-	7,680
Donations	-	-	-	-	-	-	-	-
Revaluation increases recognised in the Revaluation Reserve	1,438	374	-	-	-	-	-	1,812
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of Services	9,639	4,488	-	-	-	(1,699)	-	12,428
De-recognition – disposals	(1,165)	(482)	(624)	-	-	(6)	-	(2,277)
Other movements in Cost or Valuation	659	557	-	-	-	(1,216)	-	-
As at 31 March 2017	96,350	56,226	6,083	88	137	720	66	159,670
Accumulated Depreciation and Impairment								
As at 1 April 2016	(1,985)	(605)	(2,678)	(15)	-	-	-	(5,283)
Depreciation charge	(2,294)	(589)	(681)	(2)	-	-	-	(3,566)
Depreciation written out on revaluations recognised in the Revaluation Reserve	1,885	577	-	-	-	-	-	2,462
Impairment loss reversal recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment loss reversal recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition – disposals	36	-	624	-	-	-	-	660
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2017	(2,358)	(617)	(2,735)	(17)	-	-	-	(5,727)
Net Book Value								
At 31 March 2017	93,992	55,609	3,348	71	137	720	66	153,943
At 31 March 2016	79,671	50,158	3,719	73	124	933	66	134,744

Comparative movements in balances in 2015/16:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2015	65,333	44,659	4,444	103	124	79	-	114,742
Additions	3,125	84	2,161	-	-	1,077	-	6,447
Donations	-	-	-	-	-	-	16	16
Revaluations increases recognised in the Revaluation Reserve	680	457	-	-	-	-	-	1,137
Revaluations increases/ decreases recognised in the Surplus / Deficit on the Provision of services	13,266	5,923	-	-	-	-	-	19,189
De-recognition – disposals	(941)	(391)	(208)	(15)	-	-	-	(1,555)
Other movements in Cost or Valuation	193	31	-	-	-	(223)	50	51
As at 31 March 2016	81,656	50,763	6,397	88	124	933	66	140,027
Accumulated Depreciation and Impairment								
As at 1 April 2015	(1,608)	(550)	(2,373)	(18)	-	-	-	(4,549)
Depreciation charge	(1,896)	(586)	(513)	(3)	-	-	-	(2,998)
Impairment loss reversal recognised in the Revaluation Reserve	226	425	-	-	-	-	-	651
Impairment loss reversal recognised in the Surplus / Deficit on the Provision of Services	1,282	106	-	-	-	-	-	1,388
De-recognition - disposals	11	-	208	6	-	-	-	225
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
As at 31 March 2016	(1,985)	(605)	(2,678)	(15)	-	-	-	(5,283)
Net Book Value								
As at 31 March 2016	79,671	50,158	3,719	73	124	933	66	134,744
As at 31 March 2015	63,725	44,109	2,071	85	124	79	-	110,193

Depreciation

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

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

Capital Commitments

At 31st March 2017 the capital commitments outstanding totalled approximately £1.97m. £0.26m is for an energy saving programme, £0.3m is for essential works that are required to flats, £0.48m is for a replacement roof programme and a further £0.8m relates to this Authority's New Build programme. Finally £0.1m is committed towards a central heating programme and the remaining £0.03m is made up of other smaller commitments.

Revaluations

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

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at historical cost	84,601	57,370	6,551	107	148,629
	Valued at current value as at:				
31 March 2017	8,586	2,114	(275)	0	10,425
31 March 2016	6,585	(1,958)	(1,196)	(706)	2,725
31 March 2015	(5,498)	2,522	(287)	665	(2,598)
31 March 2014	5,855	1,000	1,211	-	8,066
31 March 2013	(3,779)	(4,822)	79	-	(8,522)
Total Cost or Valuation	96,350	56,226	6,083	66	158,725

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 2016/17. The financial effect of any changes is detailed in the table below.

Asset Description	Original End Date	Revised End Date	Financial effect on Depreciation Charges £000
Council House Dwellings	31/03/2065	31/03/2066	(38)
Garages	31/03/2035	31/03/2036	(2)
Total			(40)

11. Heritage Assets

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

2015/16 £000	Civic Regalia	2016/17 £000
	Cost or Valuation	
535	Balance as at 1 April	574
39	Revaluations	92
574	Balance as at 31 March	666

Five-Year Summary of Transactions

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Civic Regalia	703	515	535	574	666

12. Investment Property

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

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

2015/16 £000		2016/17 £000
(465)	Rental income from investment property	(485)
197	Direct operating expenses arising from investment property	190
(201)	Change in fair value of investment property	(69)
(469)	Net gain	(364)

There are no restrictions on our ability to realise the value inherent in our investment property or on our right to the remittance of income and the proceeds of disposal. We have no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2015/16 £000		2016/17 £000
6,894	Balance at start of the year	7,046
-	Expenditure during the year	242
-	Disposals	(13)
(50)	Transfers out of group	-
202	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	69
7,046	Balance at the end of the year	7,344

Fair Value Hierarchy

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

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

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

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

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

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

Highest and Best Use

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

13. Intangible Assets

We account for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. Our intangible assets relate to software licences. All software is given a finite, useful life, based on assessments of the period that the software is expected to be of use to the Council.

These assets have been amortised on a straight-line basis over their anticipated lives, the same method used for writing down our intangible assets in previous years. The

amortisation of £56,419 charged to revenue in 2016/17 was charged to the Information Services cost centre and then absorbed as an overhead across the relevant service headings in the Net Expenditure of Services. The Housing Rents, Housing Direct Works and IBS systems which relate to housing were attributed directly to the Housing Revenue Account. The planning system was apportioned to the Planning and Development Service. Corporate systems such as the Total finance system and Microsoft Licences are recharged across all services.

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

	2015/16	2016/17
	Software Licences £000	Software Licences £000
<i>Balance at start of year</i>		
Gross carrying amounts	1,643	1,774
Accumulated amortisation	(1,462)	(1,536)
Net carrying amount at start of year	181	238
<i>Additions:</i>		
Expenditure in the year	131	21
Amortisation for the year	(74)	(56)
Net Disposals in the year	0	0
Net carrying amount at end of year	238	203
<i>Comprising:</i>		
▪ Gross carrying amounts	1,774	1,751
▪ Accumulated amortisation	(1,536)	(1,548)
Net carrying amount at end of year	238	203

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

- Firmstep Achieve. The software cost £41,121 in 2013/14 and is being amortised over a 7 year life until 2019/20,
- Planning System (SX3). The software cost £137,563 in 2005/06 and 2006/07 with an upgrade costing £11,651 in 2013/14. The upgraded software is being amortised until 2019/20,
- Payment Management System (PMS). This was purchased during 2012/13 costing £78,583 with an upgrade costing £16,362 in 2013/14 and is being amortised over a period of 10 years,
- Gladstone Leisure System. The software cost £40,838 in 2014/15 and 2015/16. The cost is being amortised over 7 years until 2021/22,
- Citrix System. The software cost £39,371 in 2015/16 and is being amortised over a 5 year life until 2020/21,
- Windows Client. The software cost £32,483 in 2015/16 and is being amortised over a 5 year life until 2020/21,
- Website. The software cost £42,821 in 2015/16 and is being amortised over a 5 year life until 2020/21.

14. Financial Instruments

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

	Long-Term		Current	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Investments				
Loans and Receivables	-	-	8,539	5,025
Available for Sale financial assets	-	-	5,500	9,500
Total Investments	-	-	14,039	14,525
Debtors				
Loans and Debtors	1,000	1,000	4,374	1,080
Total included in Receivables	1,000	1,000	4,374	1,080
Borrowings				
Financial liabilities at amortised costs (*)	54,989	53,539	-	-
Total include in borrowings	54,989	53,539	-	-
Other Long term Liabilities				
Finance leases	135	-	-	-
Total other long term liabilities	135	-	-	-
Creditors				
Financial liabilities at amortised cost	-	-	9,541	8,407
Total Creditors	-	-	9,541	8,407

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

➤ Loans below Market Rates

During 2016/17 the Council granted Decent Homes Standard loans to 2 private owner occupiers totalling £4,720 and Disabled Facilities loans to 18 private owner occupiers totalling £67,345. The Council is due to have the loans repaid when the properties are sold in the future. Given the uncertainty of future timescales, these loans have been fully funded through the Council's capital programme. Any funds recovered in the future will therefore be a windfall to the Council.

➤ Fair Values of Assets and Liabilities

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

- Early redemption rates for loans from the PWLB as at 31 March 2017,
- No early repayment or impairment is recognised in the accounts,
- Certificates of Deposits are valued at Market Bid prices at 31st March 2017.

The fair values are calculated as follows:

31 March 2016	31 March 2016		31 March 2017	31 March 2017
Carrying Amount on Balance Sheet £000	Fair Value Calculation £000		Carrying Amount on Balance Sheet £000	Fair Value Calculation £000
54,989	64,055	PWLB Debt	53,539	59,077
54,989	64,055	Total Borrowings	53,539	59,077
8,539	8,539	Money Market Funds < 1 yr	5,025	5,032
2,000	2,001	Enhanced Money Market Funds	4,000	4,010
3,500	3,509	Certificates of Deposits	5,500	5,510
14,039	14,049	Total Investments	14,525	14,552

Borrowings: the fair value is more than the carrying amount because the Council's loans are fixed at a higher rate than was available at 31 March 2017. This increases the fair value of the borrowings held, which have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest.

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

15. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	28	41	33	29	-	-	61	70
Purchases	383	353	352	423	-	2	735	778
Recognised as an expense in the year	(370)	(362)	(356)	(433)	-	-	(726)	(795)
Balance at year end	41	32	29	19	-	2	70	53

16. Construction Contracts

At 31 March 2017 we had one construction contract in progress which was for the construction of new build properties at Church Walk, Mancetter. As at 31 March 2017 there was still £1.576m outstanding on this contract.

17. Short Term Debtors

31 March 2016 £000		31 March 2017 £000
2,770	Central Government Bodies	288
787	Other Local Authorities	145
-	NHS Bodies	-
817	Other Entities and Individuals	647
4,374	TOTAL	1,080

18. Cash and Cash Equivalents

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

31 March 2016 £000		31 March 2017 £000
2	Cash held by the Council	2
1,357	Bank current accounts	2,475
1,359	Total Cash and Cash Equivalents	2,477

19. Assets Held for Sale

The only asset held for sale at 31 March 2017 was the old Coleshill Leisure Centre site at Park Road, Coleshill. This site was valued at £812,000.

20. Short Term Creditors

31 March 2016 £000		31 March 2017 £000
3,637	Central Government Bodies	3,073
1,499	Other Local Authorities	2,135
4,405	Other entities and individuals	3,199
9,541	TOTAL	8,407

21. Provisions

Business Rate Payers can appeal against the rateable value of their properties to the Valuation Office. If they are successful, we will have to refund a proportion of the rates which they have paid. An additional provision of £1.529 million has been set aside in the Collection Fund at 31 March 2017 (£2.520 million at 31 March 2016), to cover possible refunds. Of the £5.686 million set aside at 31 March 2016 we have settled claims of £2.197million from that sum. Our share of the additional provision is £0.611 million (40%) (£1.008 million at 31 March 2016), with the remaining 60% falling to central government and Warwickshire County Council.

22. Usable Reserves

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

23. Unusable Reserves

31 March 2016 £000		31 March 2017 £000
(6,763)	Revaluation Reserve	(9,176)
(66,671)	Capital Adjustment Account	(85,789)
25,326	Pensions Reserve	27,292
(121)	Collection Fund Adjustment Account - CT	(141)
1,740	Collection Fund Adjustment Account - NDR	(55)
141	Accumulated Absences Account	128
-	Available for Sale Financial Instruments Reserve	(11)
(46,348)	Total Unusable Reserves	(67,752)

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.

2015/16 £000		2016/17 £000
(5,433)	Balance at 1 April	(6,763)
(2,101)	Upward revaluation of assets	(2,539)
-	Difference between fair value depreciation and historical cost depreciation	-
771	Amount written off to the Capital Adjustment Account	126
(6,763)	Balance at 31 March	(9,176)

Capital Adjustment Account

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

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

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

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

2015/16 £000			2016/17 £000	
	(43,406)	Balance at 1 April		(66,671)
		<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
3,053		▪ Charges for depreciation and impairment of non-current assets	3,572	
(20,450)		▪ Revaluation (gains) / losses on Property, Plant and Equipment	(13,852)	
74		▪ Amortisation of intangible assets	56	
456		▪ Revenue expenditure funded from capital under statute	(27)	
1,369		▪ 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	1,653	
(16)		Donated Assets	-	
(771)		Adjusting amounts written out of the Revaluation Reserve	(126)	
(201)	(16,486)	Movements in the market value of Investment Property	(474)	(9,198)
		<i>Capital financing applied in the year:</i>		
(277)		▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(1,226)	
(1,982)		▪ Use of the Major Repairs Reserve to finance new capital expenditure	-	
(640)		▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(885)	
0		▪ Application of grants to capital financing from the Capital Grants Unapplied Account	(72)	
(1,569)		▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,873)	
(2,311)	(6,779)	▪ Capital expenditure charged against the General Fund and HRA balances	(5,864)	(9,920)
	(66,671)	Balance at 31 March		(85,789)

The Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any

pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £000		2016/17 £000
32,371	Balance at 1 April	25,326
(8,732)	Re measurement of the net defined benefit liability/(asset)	840
3,283	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	2,796
(1,596)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,670)
25,326	Balance at 31 March	27,292

Collection Fund Adjustment Account

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

Council Tax 2015/16 £000	Non Domestic Rates 2015/16 £000		Council Tax 2016/17 £000	Non Domestic Rates 2016/17 £000
(124)	937	Balance at 1 April	(121)	1,740
3	803	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	(20)	(1,795)
(121)	1,740	Balance at 31 March	(141)	(55)

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.

2015/16 £000		2016/17 £000
133	Balance at 1 April	141
(133)	Reversal of accrual made at the end of the preceding year	(141)
141	Amounts accrued at the end of the current year	128
141	Balance at 31 March	128

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are revalued downwards or impaired and the gains are lost or disposed of and the gains are realised.

2015/16 £000		2016/17 £000
-	Balance at 1 April	-
-	Upward revaluation of investments	-
-	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure statement as part of Other Investment Income	(11)
-	Balance at 31 March	(11)

24. Cash Flow Statement - Operating Activities

The following items are included within the surplus on Provision of Services:

2015/16 £000		2016/17 £000
(173)	Interest Received	(140)
3	Interest Paid	2
(170)	Net interest included within the surplus on the provision of services	(138)

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

2015/16 £000		2016/17 £000
3,585	Depreciation and Amortisation of Asset	3,713
1,687	Movement in pension liability	1,126
(174)	(Contribution to) / Use of Housing Repairs Reserve	23
(4,056)	Contributions to reserves	(3,168)
805	Reversal of Collection Fund Adjustments – CT and NDR	(1,815)
-	Amortisation of Capital grants	6
9	Accumulated Absences	(13)
671	Increase / (Decrease) in Provisions	(267)
2,233	Increase / (Decrease) in Creditors	(850)
(611)	(Increase) / Decrease in Debtors	3,294
(9)	(Increase) / Decrease in Stocks and WIP	17
4,140	Adjustments for non cash movements	2,066

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

2015/16 £000		2016/17 £000
(311)	(Surplus) / Loss on sale of Assets	131
327	Payment of housing receipts to Housing Pool	346
16	Adjustment for investing and financing activities	477

25. Cash Flow Statement – Investing Activities

2015/16 £000		2016/17 £000
8,172	Purchase of property, plant and equipment, investment property and intangible assets	9,001
382	Other payments for investing activities	306
(1,651)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,515)
(3,346)	Other receipts from investing activities	(4,065)
3,557	Net cash flows from investing activities	3,727

26. Cash Flow Statement – Financing Activities

2015/16 £000		2016/17 £000
(1,300)	Cash receipts of short and long term borrowing	(1,450)
3,008	Other receipts from financing activities	486
1,708	Net cash flows from financing activities	(964)

27. Expenditure and Funding Analysis

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

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

The Expenditure and Funding Analysis:-

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

2015/16	2015/16	2015/16		2016/17	2016/17	2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Expenditure Funding Analysis			Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Restated								
£000	£000	£000		£000	£000	£000		
584	37	621	Executive Board	653	11	664		
3,935	1,522	5,457	Community and Environment Board	4,134	1,085	5,219		
164	52	216	Planning and Development Board	(619)	18	(601)		
(15)	6	(9)	Licensing Committee	(3)	2	(1)		
2,346	246	2,592	Resources Board – Services	2,225	(48)	2,177		
(242)	140	(102)	Resources Board – Recharged Services	(256)	282	26		
(2,634)	191	(2,443)	Resources Board – Housing Revenue Account	(1,738)	104	(1,634)		
4,138	2,194	6,332	COST OF SERVICES	4,396	1,454	5,850		
(8,006)	1,279	(6,727)	Other Comprehensive Income and Expenditure	(6,128)	(1,060)	(7,188)		
(3,868)	3,473	(395)	(Surplus) / Deficit on Provision of Services	(1,732)	394	(1,338)		
-	(29,106)	(29,106)	Other Comprehensive Income and Expenditure	-	(13,405)	(13,405)		
(3,868)	(25,633)	(29,501)	Total Comprehensive Income and Expenditure	(1,732)	(13,011)	(14,743)		
(17,476)			Opening General Fund and HRA Balances	(18,618)				
2,726			Use of Reserves to fund Capital Expenditure	4,325				
(3,868)			(Surplus) / Deficit on Provision of Services	(1,732)				
(18,618)			Opening General Fund and HRA Balances	(16,025)				

:

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

2015/16	2015/16	2015/16	2015/16		2016/17	2016/17	2016/17	2016/17
Adjustment for Capital Purposes	Net charge for Pensions Adjustments	Other Differences	Total Adjustments	Expenditure Funding Analysis	Adjustment for Capital Purposes	Net charge for Pensions Adjustments	Other Differences	Total Adjustments
Restated								
£000	£000	£000	£000		£000	£000	£000	£000
4	33	-	37	Executive Board	-	11	-	11
1,286	236	-	1,522	Community and Environment Board	996	89	-	1,085
14	38	-	52	Planning and Development Board	3	15	-	18
-	6	-	6	Licensing Committee	-	2	-	2
82	160	4	246	Resources Board – Services	(105)	59	(2)	(48)
130	10	-	140	Resources Board – Recharged Services	278	4	-	282
31	157	3	191	Resources Board – Housing Revenue Account	53	56	(5)	104
1,547	640	7	2,194	COST OF SERVICES	1,225	236	(7)	1,454
(573)	1,046	806	1,279	Other Income and Expenditure	(134)	890	(1,816)	(1,060)
974	1,686	813	3,473	(Surplus) / Deficit on Provision of Services	1,091	1,126	(1,823)	(394)
(20,374)	(8,732)	-	(29,106)	Other Comprehensive Income and Expenditure	(14,234)	840	(11)	(13,405)
(19,400)	(7,046)	813	(25,633)	Total Comprehensive Income and Expenditure	(13,143)	1,966	(1,834)	(13,011)

(b) Expenditure and Income analysed by Nature

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

2015/16 £000	Expenditure and Income	2016/17 £000
	Expenditure	
10,340	Employee Expenses	10,480
10,789	Other Service Expenses	11,213
14,433	Rent Allowances and Housing Benefit Payments	14,238
2,850	Depreciation, Amortisation and Impairment	3,559
1,687	Retirement Benefits	1,126
37	Revenue Expenditure Funded from Capital Under Statute	(27)
2,924	HRA – Debt Repayment and interest	3,061
327	Payment to Housing Capital Receipts Pool	346
964	Parish Precepts	980
-	Gain on Disposal of Assets	131
44,351	Total Expenditure	45,107
	Income	
(20,926)	Fees, Charges and Other Service Income	(21,858)
(127)	Interest and Investment Income	(109)
(4,537)	Income from Council Tax and NNDR	(6,046)
(18,845)	Government Grants and Contributions	(18,432)
(311)	Loss on Disposal of Assets	-
(44,746)	Total Income	(46,445)
(395)	(surplus)/Deficit on Provision of Services	(1,338)

28. Trading Operations

In 2015/16, Horticulture was the only service that was operated as a trading account. The trading account ceased at the end of March 2016, with Horticulture accounted for as part of a wider grounds maintenance service from April 2016.

29. Agency Services

Warwickshire County Council provides a payroll service to the Council, involving a total payment of £8.327million for employees and members of the Council. Of this sum £1.398million is paid to Her Majesty's Revenue and Customs and £0.476 million is paid to Warwickshire County Council pensions department. We paid a charge of £14,928 in 2016/17 for this service.

30. Pooled Budgets

Building Control Partnership

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

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

		2015/16 £		2016/17 £
Funding provided to the pooled budget:				
• North Warwickshire	75,440		36,670	
• Nuneaton and Bedworth	144,500		70,250	
		219,940		106,920
Expenditure met from the pooled budget:				
• North Warwickshire	54,446		33,447	
• Nuneaton and Bedworth	104,288		63,432	
		158,734		96,879
Net (surplus)/deficit arising on the pooled budget during the year		(61,206)		(10,041)
Council share of 34.3% of the net (Surplus)/deficit arising from the pooled budget		(20,994)		(3,444)

Heart Partnership

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

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

	£
Budget – Disabled Facilities Grant	543,688
Actual spend by North Warwickshire Borough Council before the Heart project start date	281,219
Spend by the Heart Shared Service on behalf of NWBC	91,705
Balance of funding retained by the Heart Shared Service to be carried forward to 2017-18 to spend in the North Warwickshire area	189,514

31. Members' Allowances

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

	2015/16	2016/17
	£000	£000
Allowances	221	211
Expenses	9	6
Total	230	217

32. Officers' Remuneration

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

2016/17	Salaries, Fees and Allowances	Expenses Allowances	Pensions	Total
Job Title	(£)	(£)	(£)	(£)
Chief Executive* **	87,896	5,357	13,448	106,701
*(32 hours per week)				
**includes Neighbourhood Plan Referendums and a By-Election				
Deputy Chief Executive***	73,432	4,641	11,235	89,308
*** (32 hours per week)				
Assistant Chief Executive & Solicitor to the Council	70,538	3,456	10,792	84,786
Assistant Chief Executive (Community Services)	67,729	3,456	10,362	81,547

2015/16	Salaries, Fees and Allowances	Expenses Allowances	Pensions	Total
Job Title	(£)	(£)	(£)	(£)
Chief Executive* **	100,036	5,969	14,505	120,510
*(32 hours per week from January 2016)				
**includes Returning Officer for Borough Elections				
Deputy Chief Executive***	72,705	4,640	10,542	87,887
*** (32 hours per week)				
Assistant Chief Executive & Solicitor to the Council	69,839	3,456	10,127	83,422
Assistant Chief Executive (Community Services)	67,058	3,456	9,723	80,237

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	2015/16 staff numbers	2016/17 staff numbers
£60,000-£64,999	5	5
£65,000-£69,999	-	-
£70,000-£74,999	-	-
	5	5

The number of exit packages with total costs per band and total cost of the compulsory and other redundancies are set out in the table below and note 39.

Exit packages cost band	Number of compulsory redundancies		Total cost of exit packages for compulsory redundancies by cost band	
	2015/16	2016/17	2015/16	2016/17
			£	£
£0 – £20,000	4	5	23,624	30,587
£20,001 - £40,000	-	1	-	25,097
Total	4	6	23,624	55,684

The total cost of £55,684 in the table above has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

33. External Audit Costs

We pay audit fees for work undertaken on the audit of the Statement of Accounts, the certification of grant claims and returns and statutory inspections. Our appointed auditors for 2016/17 are Ernst Young LLP.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2016/17 accounts.

Type of Audit Work	2015/16 £000	2016/17 £000
Fees payable to Ernst Young LLP with regard to external audit services carried out for the year	42	42
Fees payable to Ernst Young LLP for the certification of grant claims and returns for the year	11	10
Total	53	52

34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17.

	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,402	899
Council Tax Freeze Grant	46	-
Transitional Grant	-	21
Non Domestic Rates	1,744	1,759
Total	3,192	2,679

Credited to Services		
New Burdens – Council Tax Discount for Family Annexes	1	-
New Burdens – Other	7	2
New Burdens – Backdating and Removal of Family Premium Payments	1	-
New Burdens – Smoke and CO Alarms	1	-
New Burdens – Lettings Agent Transparency & Redress Scheme	1	-
New Burdens – Localising Council Tax Reform	15	-
New Burdens – Single Fraud Initiative Grant	-	1
New Burdens – Welfare Reform	-	10
New Burdens – Property Searches	-	4
New Burdens – Brownfield Register Grant	-	15
NDR Revaluation Flyer Grant	-	1
HCA Capacity Funding Grant	-	224
Electoral Reform Services Grant	50	38
Small Business and Empty Property Rate Relief	428	337
Neighbourhood Planning Grant	15	25
New Burdens - RTI Grant	5	5
DWP - Local Authority Data Share (LADS-atlas)	7	15
DWP – Fraud and Error Reduction Incentive Scheme	17	8
DWP – Benefits Cap	-	7
Self Build & Custom Housebuilding register	-	6
Web Results UK Grant	-	6
Leader Project Grant	32	67
Stronger and Safer Communities Funding	24	31
New Burdens - Transparency Code Set Up	8	8
Benefits Grant (DHP)	56	67
Benefits Administration Grant	282	253
New Homes Bonus Scheme	709	972
Rent Allowances Subsidy	7,771	7,569
National Non Domestic Rates Administration Grant	111	110
Housing Rent Rebates	6,112	5,956
Custom Build Grant	-	15
Total	15,653	15,752

35. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which we operate and provides a significant proportion of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are 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 2016/17 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 and with other Warwickshire Authorities for the delivery of the Heart Shared Service. Transactions and balances outstanding are detailed in Note 30.

Five Borough Councillors were also Warwickshire County Councillors in 2016/17. During the year, we paid £2,367,509 (£2,347,365 in 2015/16) to Warwickshire County Council for services including: pensions, land charges, broadband, arboriculture services, trade refuse disposal, contribution to the costs of Lower House Farm recycling facility and leisure facilities. Income of £505,285 (£457,677 in 2015/16) was received from the County Council for school swimming lessons, grass cutting, food bank, community hubs, part occupation of Council Offices and recycling activities.

Five Borough Councillors were also on Atherstone Town Council in 2016/17. Income of £18,872 (£45,623 in 2015/16) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town and for some grounds maintenance work. Expenditure of £0 (£53,007 in 2015/16) was paid to Atherstone Town Council.

Two Borough Councillors were also on Coleshill Town Council in 2016/17. Income of £2,465 (£5,748 in 2015/16) was received from Coleshill Town Council, for the provision of a trade refuse service and the purchase of two Billy Goat Sweepers and a Trailer.

During the year, works and services to the value of £1,484.97 were commissioned from Cubic Apple in which 1 member had an interest. Contracts were entered into in full compliance with the council's standing orders.

During the year a payment of £49,125 (£64,125 in 2015/16) was made to North Warwickshire Citizens Advice Bureau. The Borough Council was represented on the North Warwickshire Citizens Advice Bureau by 1 Borough Councillor. The transaction represents a contribution to the running expenses of the organisation. The Member recorded an interest in the Register of Members Interests, which is open to public inspection at the Council Offices during office hours.

The Council is a non-constituent member of the West Midlands Combined Authority (WCMA). The WCMA is a group of councils across the region that is working together to seek greater decision-making powers from the government in a process known as devolution. In the Scheme sent to Government only constituent members have voting rights. However, once the WCMA is established constituent members can give voting rights to non-constituent members, for example, allowing them to vote on matters to do with economic development. Constituent members may only be signed up to one combined authority, whilst non-constituent members can be signed up to one or more combined authorities. In 2016/17 North Warwickshire Borough Council paid the WCMA a £25,000 contribution to help fund its programmes and initiatives.

36. Capital Expenditure and Capital Financing

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

Capital Expenditure and Financing		
	2015/16 £000	2016/17 £000
<i>Capital Investment</i>		
Property, Plant and Equipment	6,680	8,833
Intangible Assets	132	53
Revenue Expenditure Funded from Capital Under Statute	848	333
Total Expenditure	7,660	9,219
<i>Sources of Finance</i>		
Capital receipts	(397)	(1,226)
Government grants and other contributions	(911)	(372)
Revenue Contribution to Capital	(219)	(119)
Section 106 contributions	(33)	(889)
Earmarked Capital Reserve	(497)	(169)
Major Repairs Reserve/HRA RCCO	(3,496)	(5,605)
Capital payables	(948)	(675)
Prudential Borrowing	(1,159)	(164)
Total Financing	(7,660)	(9,219)

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.

	2015/16 £000	2016/17 £000
Long Term Assets	142,737	162,156
Long Term Debtor	1,000	1,000
Revaluation Reserve	(6,763)	(9,176)
Capital Adjustment Account	(66,671)	(85,789)
Capital Financing Requirement	70,303	68,191

37. Leases

Council as Lessee

Finance Leases

The Council had acquired the public conveniences at Water Orton, Coleshill and Polesworth under finance leases. These leases were all terminated in September 2016. These assets were carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2016 £000		31 March 2017 £000
135	Property, Plant, and Equipment	-

The Council was 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 were payable by the Council in future years while the liability remained outstanding. The minimum lease payments were made up of the following amounts:

31 March 2016 £000		31 March 2017 £000
	Finance lease liabilities (net present value of minimum lease payments):	
9	• Current	-
103	• Non-current	-
23	Finance costs payable in future years	-
135	Minimum lease payments	-

The minimum lease payments will no longer be payable in future years:

	Minimum lease payments		Finance lease payments	
	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000
Not later than one year	11	-	12	-
Later than one year and not later than five years	45	-	44	-
Later than five years	79	-	57	-
Total	135	-	113	-

The minimum lease payments did not include rents that were contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17, no contingent rents were payable by the Council (none in 2015/16).

Operating Leases

We have used operating leases as a way of financing some vehicles and equipment. The plant and vehicle leases related to commercial vehicles (5 or 7 years) and mowers (4 years), most of which the Council use to deliver various services to the public. The final operating lease for plant and vehicle leases ended on 25th March 2017.

No payments are due under non-cancellable leases in future years:

31 March 2016 £000		31 March 2017 £000
5	Not later than one year	-
-	Later than one year and not later than five years	-
5	Total	-

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 2016 £000		31 March 2017 £000
101	Minimum lease payments	111
(165)	Contingent rents	(187)
(64)	Total	(76)

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 2016 £000		31 March 2017 £000
262	Not later than one year	301
49	Later than one year and not later than five years	49
4,546	Later than five years	4,463
4,857	Total	4,813

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 2016/17, £104,694 contingent rents were receivable by the Council (£96,773 in 2015/16).

38. Impairment Losses

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

There were no material impairment losses recognised during 2016/17 (nil 2015/16).

39. Termination Benefits

The Council terminated the contracts of 6 employees in 2016/17, incurring liabilities of £55,684 (£23,624 in 2015/16) – see Note 32 for the number of exit packages and total cost per band. Payments were made to a Multi Skilled Plumber, Electrician, Receptionist at Coleshill Leisure Centre, Assistant Central Services Officer, Duty Manager at Arley and a Cleansing Services Operative who were made redundant as part of the Council's rationalisation of these services.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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:

	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• Current service cost	(2,237)	(1,900)
• Past Service Cost and Curtailments	-	(6)
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	(2,962)	(3,001)
• Expected return on scheme assets	1,916	2,111
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(3,283)	(2,796)
<i>Re measurement of the net defined benefit liability comprising</i>		
• Return on plan assets	(719)	7,986
• Actuarial (losses)/gains arising on changes in demographic assumptions	-	937
• Actuarial (losses)/gains arising on changes in financial assumptions	8,362	(13,452)
• Other	1,089	3,689
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	8,732	(840)
<i>Movement in Reserves Statement</i>		
• Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	3,283	2,796
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers contributions payable to scheme	1,596	1,670
Retirement benefits payable to pensioners	(2,779)	(2,872)

The cumulative amount of actuarial gains and losses recognised in other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was a gain of £840,000 at 31 March 2017 and a loss of £8,732,000 at 31 March 2016.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded Liabilities	
	2015/16 £000	2016/17 £000
Opening balance at 1 April – Funded liabilities	92,609	84,143
Opening balance at 1 April – Unfunded liabilities		1,910
Current service cost	2,237	1,900
Past Service Cost	-	6
Interest Cost	2,962	3,001
Contributions by scheme participants	475	472
Actuarial losses arising from changes in demographic assumptions	-	(937)
Actuarial losses arising from changes in financial assumptions	(8,362)	13,452
Other	(1,089)	(3,689)
Benefits paid - funded	(2,644)	(2,738)
Benefits paid - unfunded	(135)	(134)
Closing balance at 31 March – Funded liabilities	84,143	95,380
Closing balance at 31 March – Unfunded liabilities	1,910	2,006

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

	Funded Assets	
	2015/16 £000	2016/17 £000
Opening fair value of scheme assets at 1 April	60,238	60,727
Expected rate of return - Interest	1,916	2,111
Actuarial gains – Return on plan assets	(719)	7,986
Contributions by scheme participants	475	472
Employer contributions	1,461	1,536
Contributions in respect of unfunded benefits	135	134
Benefits/transfers paid	(2,644)	(2,738)
Unfunded Benefits/transfers paid	(135)	(134)
Closing fair value of scheme assets at 31 March	60,727	70,094

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 £10.097 million (£1.197 million in 2015/16).

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

	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000
Present value of the defined benefit obligation	(75,627)	(78,217)	(92,609)	(86,053)	(97,386)
Fair value of Plan assets	50,633	53,899	60,238	60,727	70,094
Net liability arising from defined benefit obligation	(24,994)	(24,318)	(32,371)	(25,326)	(27,292)

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £27.292 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 2016/17 the Council actually paid an employer's contribution of £1,132,058 representing 15.3% (14.5% in 2015/16) 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 is responsible for all pension payments relating to added years benefit it has awarded together with the related increases. In 2016/17 these amounted to £133,958 representing 1.81% of pensionable pay (in 2015/16 the Council made payments totalling £138,933 representing 1.88% of pensionable pay). In 2017/18 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,561,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so on. The liabilities of the Warwickshire County Council Fund have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest valuation of the scheme as at 31 March 2017. These figures do not include any limits imposed by IFRIC interpretation IAS 19.

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

	2015/16	2015/16	2016/17	2016/17
	Beginning of year	End of Year	Beginning of year	End of Year
Allowance for Admin Expenses				
Expenses Deducted (p.a.)	0.6%	0.6%	0.6%	0.6%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.4	22.4	22.5	22.5
Women	24.4	24.4	24.7	24.7
Longevity at 65 for future pensioners:				
Men	24.3	24.3	24.3	24.3
Women	26.6	26.6	26.7	26.7
Rate of Inflation (CPI)	2.2%	2.2%	2.4%	2.4%
Rate of Increase in salaries	4.3%	4.2%	3.0%	3.0%
Rate of increase in pensions	2.2%	2.2%	2.4%	2.4%
Rate of discounting scheme liabilities	3.2%	3.5%	2.6%	2.6%

	2015/16	2015/16	2016/17	2016/17
	Beginning of year	End of Year	Beginning of year	End of Year
Take up option to convert annual pension into retirement lump sum – pre April 2008	50%	50%	50%	50%
Take up option to convert annual pension into retirement lump sum – post April 2008	75%	75%	75%	75%

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

	2015/16	2015/16	2016/17	2016/17
	£ 000	%	£ 000	%
Equity Securities:-				
• Consumer	6,830.8	11.2%	8,156.5	11.6%
• Manufacturing	2,546.9	4.2%	2,981.2	4.2%
• Energy and Utilities	1,162.9	1.9%	1,314.3	1.9%
• Financial Institutions	3,309.4	5.5%	3,749.3	5.3%
• Health and Care	2,024.6	3.3%	2,539.0	3.6%
• Information Technology	1,659.3	2.7%	2,000.0	2.9%
• Other	2,322.2	3.8%	3,342.7	4.8%
Private Equity:-				
• All	1,643.7	2.7%	2,465.2	3.5%
Real Estate:-				
• UK Property	6,967.3	11.5%	6,570.1	9.4%
• Overseas Property	51.3	0.1%	46.7	0.1%
Investment Funds and Unit Trusts:-				
• Equities	14,971.3	24.6%	17,388.3	24.8%
• Bonds	10,196.4	16.8%	11,895.0	17.0%
• Hedge Funds	3,022.5	5.0%	3,059.9	4.4%
• Infrastructure	535.1	0.9%	844.5	1.2%
• Other	2,777.7	4.6%	2,792.9	4.0%
Cash and Cash Equivalents:-				
• All	705.6	1.2%	948.4	1.3%
Total	60,727.0	100.0%	70,094.0	100.0%

41. Nature and Extent of Risks arising from Financial Instruments

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

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

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

Risk management is carried out by the Financial Services team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for the overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

➤ *Credit Risk*

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

This risk is minimised through the Annual Investment Strategy which requires that deposits are not made with financial institutions unless they meet minimum credit criteria in

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

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

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

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

The Council's maximum exposure to credit risk in relation to investments in banks and building societies of £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the historical principal will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The Council's exposure to credit risk on other financial assets relates to trade/sundry debtors. We do not allow credit for trade/sundry debtors so £218,718 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2016 £000	31 March 2017 £000
Less than three months	106	139
Between three and six months	13	10
Between six months and one year	4	19
More than one year	48	51
TOTAL	171	219

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 2017 was £2,305.

➤ *Liquidity Risk*

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	31 March 2016 £000	31 March 2017 £000
Less than one year	1,450	1,600
Between one years and two years	1,600	1,700
Between two and five years	5,450	6,000
Between five and ten years	11,660	12,010
Between ten and fifteen years	16,130	18,280
Between fifteen and twenty years	8,699	3,949
More than twenty years	10,000	10,000
Total	54,989	53,539

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

Liquid resources held by the Council are short-term investments. These continue to be managed internally, with a limit on the amount that can be invested with any one institution in accordance with the authorised lending list. All investments at 31 March 2017 were held with banks and building societies. At 31 March 2017 the Council had short-term investments of £14.525 million.

	31 March 2016 £000	31 March 2017 £000	Change in year £000
Short Term Investments	14,039	14,525	486
Total	14,039	14,525	486

➤ *Market Risk*

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

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

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

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

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

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 2015/16 £000	Actual 2015/16 £000		Actual 2016/17 £000	Actual 2016/17 £000	Note
		EXPENDITURE			
3,054		Repairs and Maintenance	3,153		5
1,279		Supervision and Management			
531		- General	1,330		
2,005		- Special Services	453		
		Depreciation and Impairment of non-current assets	2,423		8
2,924		Debt Management Costs	3,061		
9		Movement in the allowance for bad debts	31		11
	9,802	TOTAL EXPENDITURE		10,451	
		INCOME			
(11,789)		Dwelling rent	(11,604)		12
(332)		Non-dwelling rent	(349)		
(87)		Charges for Services and Facilities	(112)		
(88)		Grant for New Build	(72)		
	(12,296)	TOTAL INCOME		(12,137)	
	(2,494)	Net Income of HRA Service as included in the Comprehensive Income and Expenditure Statement		(1,686)	
	88	HRA service share of Corporate and Democratic Core		84	
	(2,406)	Net Income/cost for HRA Services		(1,602)	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	(313)	Gain on sale of HRA non-current assets		131	
	(69)	Interest payable and similar charges		410	9/14
	(43)	Interest and Investment Income		(29)	14
	(20,374)	Deficit or (Surplus) on Revaluation of Property, Plant and Equipment		(14,234)	9
	(23,205)	(Surplus) or Deficit for the year on HRA Services		(15,324)	

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.

2015/16 £000		2016/17 £000
(1,979)	Balance on the HRA at the end of the previous year	(2,789)
(23,205)	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	(15,324)
20,602	Adjustments between accounting basis and funding basis under statute	13,632
(2,603)	Net (Increase) or decrease before transfers to or from reserves	(1,692)
1,793	Transfers to or (from) reserves	1,160
(810)	(Increase) or decrease in year on the HRA	(532)
(2,789)	Balance on the HRA at the end of the current year	(3,321)

Adjustments between accounting basis and funding basis under statute:

2015/16 £000		2016/17 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
20,374	Reversal of Impairment losses and revaluations	14,234	9
313	Gain on sale of HRA Property, Plant and Equipment	(131)	
(157)	Net charges made for retirement benefits in accordance with IAS 26	(56)	10
3	(Increase)/Reduction in accrual for employee benefits	(5)	
20,533	Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year	14,042	
69	Transfer to Capital Adjustment Account	(410)	14
20,602	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	13,632	

Transfers to or from reserves

2015/16 £000		2016/17 £000	Note
174	Transfer to/(from) the Housing Repairs Reserve	(23)	5

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2017

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 2,662 dwellings during 2016/17, consisting of the following:

2015/16		2016/17
1,396	Houses	1,405
656	Flats	645
611	Bungalows	611
2,663	Total at 31 March	2,661
	The change in stock was as follows:	
2,692	Stock at 1st April	2,663
(31)	less Sales	(25)
-	Demolitions	(10)
2	New Build	33
2,663	Stock at 31 March	2,661

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £138 million as at 31 March 2017. 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 2016 £000	Asset Type	Balance as at 31 March 2017 £000
34,626	Land	39,050
79,672	Council Dwellings	93,992
248	Plant and Vehicles	250
4,321	Other Property	4,708
118,867	Total	138,000
79,672	Operational Assets – Dwellings	93,992
33,797	- Land	38,643
4,321	- Other Buildings	4,708
248	- Plant and Vehicles	250
829	Non-operational Assets	407
118,867	Total	138,000

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 £329.458 million. This is different to the gross book value of the assets included within the balance sheet of £131.783 million which is based upon the continuing use of housing for social use. The difference between the two amounts is the economic cost of providing council housing at less than open market value.

4. Major Repairs Reserve

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

2015/16 £000		2016/17 £000
(1,536)	Balance as at 1 April	(1,536)
(1,982)	Transfer into Reserve – Depreciation	(2,377)
1,982	Transfer into Reserve – Appropriation	2,377
-	To finance Capital Expenditure – Houses	-
(1,536)	Balance as at 31 March	(1,536)

5. Housing Repairs Reserve

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

2015/16 £000		2016/17 £000
337	Balance as at 1 April	511
3,135	Contributions from HRA	3,097
(2,961)	Use of Fund	(3,120)
511	Balance as at 31 March	488

6. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2016/17, spent £8,229,997 (£4,507,288 in 2015/16). This expenditure was used to fund work on council houses of £3,888,969 (£3,237,703 in 2015/16) and new housing of £4,293,319 (£1,076,914 in 2015/16). The remaining expenditure of £47,709 (£192,671 in 2015/16) related to the replacement of HRA vehicles. There was no work on garages or community centres in 2016/17 (£0 in 2015/16 respectively). Capital spending during the year has been paid for from a number of sources and these are shown on the next page:

2015/16 £000	Source of Funding	2016/17 £000
-	Major Repairs Reserve	-
-	Capital Receipts	(545)
(2)	Capital Receipts – New Build	(480)
(3,496)	Earmarked Reserves	(5,605)
-	Section 106 Funding	(885)
(88)	Grants and Contributions	(72)
(921)	Capital Creditors	(643)
(4,507)	Total	(8,230)

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 2016/17 capital income of £1,485,755 was received from the sale of 25 council houses (£1,651,225 for 31 houses in 2015/16).

8. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2016/17 the amount of depreciation charged is as follows.

2015/16 Operational assets £000		2016/17 Operational assets £000
1,895	Council Dwellings	2,295
86	Other Property	83
12	Vehicles	33
12	Plant & Equipment	12
2,005	Total	2,423

9. Impairment charges

There were no impairment charges during the year, although some land and properties held as investment assets reduced in value by £409,810 (see note 14). However there were revaluation gains of £14.234 million on the Council's housing stock. In overall terms revaluation gains of £13.824 million were credited to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account.

10. Pensions

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

It is our view, pending the receipt of any new guidance, that as the entries on the HRA are defined by statute, there should be no effect on the overall financial position of the HRA. However, as IAS 26 requires that all services show the Current Service Cost of the benefits earned by its employees in the year, the Housing Revenue Account has been charged with an amount of £56,134 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

11. Rent Arrears

At 31 March 2017 the total rent in arrears was £182,613, which represents 1.57% of collectable rent income (2.41% in 2015/16). The rent arrears figures are detailed below: -

2015/16 £000		2016/17 £000
	Arrears at 31st March: -	
114	Present Tenants	115
170	Former Tenants	68
284	TOTAL ARREARS	183

The allowance for bad debts at 31 March 2017 was £124,675 (£226,326 at 31 March 2016). Debts totalling £131,642 were written off during the year (£14,101 written off in 2015/16). The Council has increased the provision for the non collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £531 (£1,277 increase in 2015/16).

12. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 1.92% of lettable properties were vacant (1.35% in 2015/16). Average rents were £92.66 a week in 2016/17 (excluding service charges) on a 48 week basis, a decrease of £0.40 or 0.43% over the previous year.

13. Charges for Borrowing

The Housing Revenue Account repaid £1,450,000 of the long term borrowing it took out as part of the move to the Housing Self Financing system and £1,610,930 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 2016/17.

14. Investment Income

We receive income from investments we hold during the year. The HRA contributes funds to these investments and receives a share of the income based upon the level of reserves held that relate to the HRA. For 2016/17 this amounted to £29,276 (£42,769 in 2015/16).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 4 parcels of land during the year showed a decrease in the asset valuations of £196,000 (£57,750 increase in 2015/16 (5 parcels of land)). In addition we hold 11 shared ownership properties in Thorncliffe Way, Cornish Close & Digby Road as investment properties. During the year there was a decrease in their valuations of £213,810 (£11,400 increase in 2015/16). The revaluations are included in the Interest and Investment income. This will not be realised unless the properties are sold, so it is reversed out in the adjustments between accounting basis and funding basis under statute in order to arrive at the Housing Revenue Account balance at the end of the year.

The Collection Fund - Income and Expenditure Statement for the Year Ended 31 March 2017

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

2015/16 Council Tax £000	2015/16 NNDR £000	2015/16 Total £000		2016/17 Council Tax £000	2016/17 NNDR £000	2016/17 Total £000
33,204	-	33,204	INCOME			
			Income from Council Tax (net of benefits and transitional relief)	34,734	-	34,734
-	42,362	42,362	Income Collectable from Business Ratepayers	-	44,486	44,486
			Cont's to previous years deficits-NDR: Government North Warwickshire Borough Council Warwickshire County Council			
33,204	42,362	75,566		34,734	44,486	79,220
			EXPENDITURE			
23,646	-	23,646	Precepts and Demands-Council Tax :			
3,706	-	3,706	Warwickshire County Council	24,991	-	24,991
4,962	-	4,962	Warwickshire Police Authority	3,841	-	3,841
			North Warwickshire Borough Council	5,059	-	5,059
32,314	-	32,314		33,891	-	33,891
509	-	509	Distribution of Surpluses-Council Tax :			
80	-	80	Warwickshire County Council	437	-	437
109	-	109	Warwickshire Police Authority	69	-	69
			North Warwickshire Borough Council	92	-	92
698	-	698		598	-	598
-	16,910	16,910	Business Rate :			
-	21,137	21,137	North Warwickshire Borough Council	-	16,031	16,031
-	4,228	4,228	Payment to Government	-	20,038	20,038
			Payment to Warwickshire County Council	-	4,007	4,007
-	185	185	Transition Protection payment to Government	-	71	71
-	111	111	Cost of collection	-	110	110
-	42,571	42,571		-	40,257	40,257
249	196	445	Bad and doubtful debts/appeals :			
-	-	-	Arrears Written Off	77	171	248
(51)	(77)	(128)	Deferred Rates	-	-	-
-	1,679	1,679	Provision for uncollectable amounts	11	(21)	(10)
-	123	123	Provision for Appeals	-	(668)	(668)
(6)	(2,130)	(2,136)	Less Spread of Appeals provision	-	123	123
			Increase/(Decrease) in Fund Balance	157	4,624	4,781
33,204	42,362	75,566		34,734	44,486	79,220
MOVEMENTS ON THE COLLECTION FUND						
795	(2,540)	(1,745)	Balance at 1 April	789	(4,670)	(3,881)
(6)	(2,130)	(2,136)	Surplus/(Deficit) for the Year	157	4,624	4,781
789	(4,670)	(3,881)	Balance at 31 March 2017	946	(46)	900

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

Precept /Demand	Share of 31 March 2016 Surplus	2015/16 Total	Authority	Precept /Demand	Share of 31 March 2017 Surplus	2016/17 Total
£000	£000	£000		£000	£000	£000
23,646	579	24,225	Warwickshire County Council	24,991	699	25,690
3,706	90	3,796	Warwickshire Police Authority	3,841	106	3,947
4,962	120	5,082	North Warwickshire Borough Council	5,059	141	5,200
32,314	789	33,103	Total	33,891	946	34,837

NNDR (Business Rates) on the Collection Fund

Business Rates 2015/16	Share of 31 March 2016 Deficit	2015/16 Total	Authority	Business Rates 2016/17	Share of 31 March 2017 Deficit	2016/17 Total
£000	£000	£000		£000	£000	£000
16,910	(1,722)	15,188	North Warwickshire Borough Council	16,031	55	16,086
4,228	(491)	3,737	Warwickshire County Council	4,007	(17)	3,990
21,137	(2,457)	18,680	Government	20,038	(84)	19,954
42,275	(4,670)	37,605	Total	40,076	(46)	40,030

Notes to the Collection Fund for the year ended 31 March 2017

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 2016/17 the base was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	4,318.59	6/9	2,877.90
B	5,525.83	7/9	4,297.87
C	5,118.26	8/9	4,549.57
D	3,401.06	9/9	3,401.06
E	2,045.82	11/9	2,500.45
F	1,109.21	13/9	1,602.19
G	637.02	15/9	1,061.70
H	62.93	18/9	125.86
			20,416.60
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			(408.31)
COUNCIL TAX BASE 2016/17			20,008.29

On the basis of an average £1,693.82 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £33.890 million (£1,693.82 x 20,008.29). The actual income received, was higher than the estimated due to changes in individual circumstances.

2. Income from Business Rates

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

The rates to be collected can change during the year as the circumstances of individual businesses alter. Unless significant, all changes which occurred after 4th March 2017 are accounted for in the following year to allow the system to be rolled forward and future bills prepared. We were notified of increases of £356,900 after the 4th March 2017, due to changes to the valuations of properties, which will be included within the 2017/18 accounts.

The total non-domestic rateable value at the year-end was £99,250,328 (£97,409,519 in 2015/16). The national non-domestic rate for small businesses was 48.4 pence (48.0 pence in 2015/16) and the rate for other businesses was 49.7 pence (49.3 pence in 2015/16).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations England 2015, which require those statements to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 debtor or creditor for the relevant amount is included in the balance sheet. These are shown within the current assets and current liabilities sections of the Balance Sheet respectively. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

3. Cash and Cash equivalents

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

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

4. Charges to Revenue for Non-Current Assets

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

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

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

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

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

5. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or, an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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

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

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

The assets of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value.
- The change in the net pension liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of a years service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, which is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which are debited to the Actuarial gains and losses on pension assets and liabilities line in the Comprehensive Income and Expenditure Statement.
- contributions paid to the Warwickshire Pension Fund – cash paid as employer's contributions to the pension fund in settlements of liabilities; not accounted for as an expense.
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees, which are debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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

For retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pensions fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

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

6. Events after the Balance Sheet date

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

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

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

7. Exceptional items

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

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

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

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

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

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Financial Assets

Financial assets are classified into two types:

Loans and Receivables

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

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the

Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest and income credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale Assets

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

Available for Sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised costs of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. Dividend) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

10. Government Grants and Other Contributions

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

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

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

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

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

11. Intangible Assets

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

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

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

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

12. Inventories 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 Property

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

Investment properties are measured initially at cost and subsequently at fair value being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the

Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant and equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Council as a Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation 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. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

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

16. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. We only include individual pieces of land and buildings that exceed £10,000, and plant and equipment that exceed £5,000 in our asset register.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- **Infrastructure assets, community assets and assets under construction** - depreciated historical cost. Where this is not known for community assets, a nominal value of £1 has been included.
- **Council dwellings** – current value, determined using the basis of existing use value for social housing (EUV – SH). The ‘Beacon’ method has been used whereby “typical” properties are valued and the remaining similar houses in the area are assessed based on this beacon.
- **All other assets** – current value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV).

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount

before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell.

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

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

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

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it 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 transferred back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the Movement in Reserves Statement on page 9 and notes 6 and 23 to the financial statements.

19. Revenue Expenditure Funded from Capital under Statute

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

20. Value added tax (VAT)

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

21. Heritage Assets

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

22. Council Tax and Non-Domestic Rates

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

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

The balance sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

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

Opinion on the Council's financial statements

We have audited the financial statements of North Warwickshire Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Council Movement in Reserves Statement,
- Council Comprehensive Income and Expenditure Statement,
- Council Balance Sheet,
- Council Cash Flow Statement,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities set out on page 11, the Deputy Chief executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of

Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of North Warwickshire Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, North Warwickshire Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

S R Clark

Stephen Clark (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Appointed Auditor
Birmingham

Date 26 September 2017

The maintenance and integrity of the North Warwickshire Borough Council's web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

CURRENT LIABILITIES	Short-term liabilities, which are due to be, paid in less than one year, for example, creditors and bank overdrafts.
CLG	Department for Communities and Local Government.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Spending on assets that have a lasting value, such as buildings, which we do not own.
GOVERNMENT GRANTS	Payments made by the government towards the cost of local council services. These are either for particular services or purposes (specific grants) or to fund local services generally (revenue support and area based grant).
GROSS EXPENDITURE	The cost of providing the Council's services before allowing for Government grants or other income.
HERITAGE ASSETS	For us, these are assets that are used by the Office of the Mayor.
HOUSING BENEFITS	A system of financial assistance towards certain housing costs, e.g., Rent Rebates, which are administered by the local council.
HOUSING REVENUE ACCOUNT (HRA)	The account, which shows all the income and expenditure incurred in the management and maintenance of the Council's housing stock.
IMPAIRMENT	This is a reduction in an asset value due to physical damage, obsolescence or a decline in its market value.
INFRASTRUCTURE ASSETS	These are inalienable assets, expenditure which is recoverable only by continued use of the asset created (e.g. street lighting, tidy bins, and footpaths).
INTANGIBLE ASSETS	Spending on assets, this cannot be physically seen, such as computer software.
INVESTMENT PROPERTIES	These are properties that are used solely to earn rentals and / or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
MINIMUM REVENUE PROVISION (MRP)	The amount that we have to set aside each year to repay loans.
NET EXPENDITURE	This is the cost of providing a service after the deduction of specific government grants and other income, excluding Revenue Support Grant and Precept income.
NDR	Non Domestic Rates (see Business 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)
CREDITORS	Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.
PRECEPT	The amount each Council in the area asks us to collect from council tax on their behalf each year.
DEBTORS	Sums of money due to the Council but unpaid at the date of the balance sheet.
REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE	The financing of capital expenditure directly from revenue.
REVENUE EXPENDITURE	Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice.
TEMPORARY LOANS	Money borrowed for an initial period of less than one year.
TRADING ACTIVITIES	This refers to services operated by the Council that operate in a contractor role with the Council. Primarily relating to those services formerly subject to Compulsory Competitive Tendering, it also includes part of the Council's Building Control Service.
UK GAAP	UK Generally Accepted Accounting Practice

NORTH WARWICKSHIRE BOROUGH COUNCIL

2016/17 Annual Governance Statement

North Warwickshire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations.

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

The governance statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

Statutory Officers

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

- The Head of Paid Service – Chief Executive
- The Chief Financial Officer – Deputy Chief Executive
- The Monitoring Officer – Assistant Chief Executive and Solicitor to the Council.

The Head of Paid Service leads and takes responsibility for the work of the Council's paid staff who run the local authority on a day to day basis. The role requires the Chief Executive to work closely with elected Members to ensure strong and visible leadership and direction, ensure staff adhere to the strategic aims of the Authority and follow the direction set by elected Members, act as the principal policy advisor to elected Members, develop workable strategies which will deliver the political objectives set by elected Members, lead and develop strong partnerships across the local community to achieve improved outcomes and better public services for local people, and oversee service development, financial and performance management, people management and change management within the Council.

The Chief Financial Officer must be a member of a specified accountancy body, and is bound by professional standards. The CFO is responsible for the proper administration of the Council's financial affairs and has specific legislative responsibilities, as he/she has a fiduciary responsibility to the local taxpayer. In England, the CFO has a statutory duty to report to the authority at the time the budget is considered and the council tax set, on the robustness of the budget and the adequacy of financial reserves. With regard to capital

spending, there is a statutory requirement to set and arrange the Council's affairs to remain within prudential limits for borrowing and capital investment. The CFO must also be proactive in the management of change and risk, be focussed on outcomes and help to resource the authority's plans for change and development in the public services it provides. The CFO's duties include a requirement to report to all the local authority's members, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

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

All of the statutory officers are members of the Senior Management Team of the Council. The fourth member of the Senior Management Team is the Assistant Chief Executive (Community Services), who adds a customer focus to any decision making of the Team.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risks at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

A key feature of regulations the Council needs to comply with is the requirement for internal audit. A local authority must maintain an adequate and effective system of internal audit of its accounting records and its system of internal control. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework

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

The Corporate Plan is approved before the start of each year and identifies the headline targets for the coming year, which are supported by greater detail within individual service

plans. All members of the senior management team contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives. The CFO and monitoring officer provide financial and legal advice and support to elected representatives to inform their decision making. They review papers for consideration, attend meetings as necessary and are available for members to consult. The CFO ensures that all members of the Senior Management Team have the financial capabilities necessary to perform their respective roles.

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

- A 30 year Business Plan for the Council's housing stock to ensure ongoing viability;
- A Medium Term Financial Strategy to ensure sustainable finances for all other Council services;
- A robust annual process that ensures financial balance; and
- A monitoring process that enables this to be delivered.

During the year progress against Corporate and Service Plan targets is collected and reported to senior managers, Management Team and to service boards, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and is also published on the Council's website. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all of the Council's spending. Summary information is also published.

As well as monitoring achievement of identified outcomes, the Council wants to ensure that an excellent quality of service is provided. It ensures this in a number of ways: obtaining user feedback, through independent inspection and audit and through system reviews. The Council takes part in Peer Challenge reviews periodically. Peer challenges are improvement-focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement focus. One of these reviews highlighted communication as an area for improvement, and we have continued to focus on how we communicate. During 2016/17 we commissioned the LGA to undertake a Communications Healthcheck, and as a result have identified a number of areas where we want to make improvements.

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

The Council uses an appraisal system to set specific targets for individual staff on an annual basis. These targets reflect their Division's targets in the Corporate Plan and the Divisional Service Plan and are subject to a six monthly review. A more cost effective service is provided by appropriately trained staff and the appraisal system is also used to assess the training and development needs of individual employees, and ensure that they have the skills and abilities to carry out the tasks required. Where a shortfall is identified, this is addressed through the annual training plan. The Council uses a workforce plan to plan more rigorously for future staffing requirements. This projects future service needs and the workforce that would be needed for their delivery.

As the Council looks at revised ways of working and increasing its use of partnerships in the provision of services, it agrees the roles and responsibilities of those involved during the 'set up' stage. For major partnerships these are formalised in a legal agreement. This ensures

that services are still managed and governed appropriately, whether the Council provides them directly or through others.

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

The Council expects its Members and officers to maintain appropriate standards of conduct and behaviour. These are set down in codes of conduct, standing orders, financial regulations, policies and processes, which are regularly reviewed. Compliance is monitored on an ongoing basis, and supplemented by information through the complaints and compliments procedure and confidential reporting policy. To assist with monitoring, a register of interests is maintained for both Members and officers. Non compliance by employees is dealt with through the Council's disciplinary procedure. The process for dealing with non compliance by Members involves at least one Independent Person.

There are risks involved with the provision of any services, so the Council uses a system of risk management to minimise and manage the risks it faces. It does this by identifying both strategic and operational risks, looking at existing controls in place to reduce these, and amending these or bringing in new controls where this is beneficial. Risk management is led by the Deputy Chief Executive, with support from Finance and Human Resources, who promote and co-ordinate risk management across the Council. The system involves an annual review of strategic risks by the Senior Management Team and an annual review of operational risks in their service areas by senior managers. Some checking is carried out throughout the year by the Internal Audit section. In addition the Resources Board receive updates on risk management activity undertaken.

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

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

Review of effectiveness

North Warwickshire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of its effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, work carried out by Internal Audit, and also by comments made by the external

auditors and other review agencies and inspectorates. Data obtained from the results of user surveys are also used to assess the effectiveness of the Councils governance arrangements.

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

Scrutiny can be carried out through the use of Task and Finish groups, which are aligned to the Policy boards. Task and Finish Groups that met during the year included the Civil Parking Enforcement, Borough Care and Refuse and Recycling Groups. In addition working parties were set up to look at revised Development Management Plan policies and to progress Health and Wellbeing.

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

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

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

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

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

Significant governance issues

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

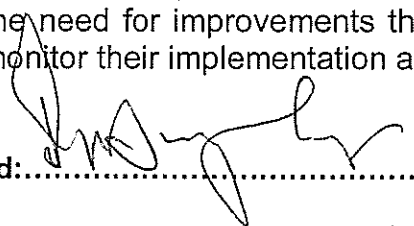
- The Medium Term Financial Strategy was updated to reflect the reduced funding available, as well as the identification of 2017/18 savings;
- The Treasury Management Strategy was reviewed and updated;
- Continued monitoring of business rate appeals with the Valuation Office ;
- Work was carried out in line with the agreed Audit Plan, with ad hoc work completed where necessary;
- The constitution was amended to reflect a change to delegated powers;
- Training sessions for Members were held on licensing and planning matters;
- Further training sessions on Child Protection issues were carried out for staff, with training also provided for Members;
- Continued to use a part time fraud officer to detect low level Council Tax Support and tenancy fraud;
- The corporate Debt and Write Off Policy was reviewed and updated to ensure it remains fit for purpose;
- A Member Task & Finish Group started to look at parking provision and management in readiness for the implementation of Civil Parking Enforcement;
- Achieved PSN and Cyber essentials Plus certification;
- The Taxi Licensing Policy (Fit and Proper Persons) was updated;
- Advertised for applicants for the role of Independent Persons for the Member Code of Conduct.

Further actions will be taken in 2017/18, including:

- Updating the Medium Term Financial Strategy and working on savings for 2018/19 onwards;
- Updating the capital programme and resources available;
- Continuing to petition Parliament on HS2;
- Continuing to review IT/cyber security measures and identifying ways to improve the security of our systems and data;
- Monitoring changes in employment law, updating policies and providing briefings as required;
- Continuing the programme of health and safety audits in services;
- Completing the review of the homelessness strategy and the development of the revised Lettings scheme, to ensure housing need in the Borough is met effectively;
- Further work to address Safeguarding issues;
- Consultation and further work on the draft Local Plan.

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

Signed:.....



Leader of the Council

Signed:.....



Chief Executive

On behalf of North Warwickshire Borough Council