Agenda Item No 6

Executive Board

13 September 2011

Report of the
Deputy Chief Executive

Financial Statements 2010/11

1 Summary

1.1 The Annual Financial Statements have to be signed by the Responsible Financial Officer (RFO) and approved by a full Board of the Council by the end of September 2011. This report presents the audited Financial Statements.

Recommendation to the Board

That the 2010/11 Financial Statements be approved.

2 Introduction

2.1 The publication of the Financial Statements is a statutory requirement, with a statutory timetable. For the 2010/11 financial year, the Authority is required to prepare its accounts by 30 June and to publish them by 30 September.

2.2 The accounts are closed on the best information available at the end of March, which in some instances requires the use of estimates. As the auditors are required to look at transactions that have taken place since the end of the year, and in some instances agree adjustments to the Statements, the Statements are expected to change following the audit. The audited
. . . 2010/11 Financial Statements are attached as Appendix A.

3 Changes in the 2010/11 Financial Statements

3.1 A report was brought to the June meeting of this Board, which gave a summary of the position on both the General Fund and Housing Revenue Account at 31 March 2011. In both areas the actual out turn position was better than the revised budget.

3.2 The financial statements have now been audited by the Council's external auditors, PricewaterhouseCoopers LLP. There have been a couple of changes to the accounts following the audit, only one of which impacts on the General Fund revenue account. The changes made are:

- Some Non Domestic Rate (NDR) revaluations carried out after the closure of the NDR accounts required refunds to be made to some local businesses, which related to 2010/11 and prior years. These totalled £2.7 million and have since been made in 2011/12. Their inclusion in the 2010/11 accounts has increased the amount owed to sundry creditors, and has increased the debtor figure owed to the Authority from the National Pool.

- The Council carried out some work in 2010/11 on reviewing Single Persons discounts relating to Council Tax. A contribution of £6,458 towards the cost of this work was received from Warwickshire County Council in 2011/12. As it related to 2010/11, the income has now been included within the Comprehensive Income and Expenditure Statement in 2010/11. This has increased General Fund balances by £6,458 at 31 March 2011.

3.3 In addition, there have been some minor presentational changes in the statements for 2010/11 in order to comply with the current appropriate codes of accounting practice.

4 Report Implications

4.1 Finance and Value for Money Implications

4.1.1 The actual position reported for both the General Fund and Housing Revenue Account for 2010/11 impacts upon future years. The General Fund balance totals £3,196,000 at 31 March 2011, whilst the Housing Revenue Account amounts to £850,000. These amounts are both better than predicted when setting the 2010/11 budget.

4.1.2 However, significant pressures for increased costs in future years continue. Although the Council has a number of additional reserves, these are earmarked for particular purposes. Savings will still be needed in the General Fund in order to preserve the level of general balances, whilst at the same time maintaining the quality of services and coping with additional responsibilities. The improved position on the Housing Revenue Account will be beneficial given the move to self financing in April 2012.

4.2 Environment and Sustainability Implications

4.2.1 The Council has remained within its overall budgets for the 2010/11 year. This will assist in allowing the Council to manage its expected shortfall in resources, and minimise disruption to essential services.

4.3 Risk Management Implications

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

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

Background Papers

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

Background Paper No	Author	Nature of Background Paper	Date
Executive Board	Sue Garner	General Fund Budget and Setting the Council Tax 2010/11	February 2010
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2010/11	February 2010

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS 2010/2011

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

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Explanatory Foreword to the Financial Statements

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

Introduction

This document summarises our financial affairs for 2010/11 and shows our financial position at 31 March 2011. It includes the following statements and accounts: -

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

Changes in the Statements

In previous years we have prepared our financial statements in compliance with UK GAAP (UK Generally Accepted Accounting Practice). The accounts for 2010/11 are the first we have prepared on an International Financial Reporting Standards (IFRS) basis. We have re-stated some balances and transactions for 2009/10, so that they are comparable to 2010/11. The result of this is that some amounts for 2009/10 are different from the equivalent figures presented in the 2009/10 Financial Statements.

The main differences are:

- Changes to the way that government grants and other contributions are accounted for and shown on the balance sheet.
- Assets held under a finance lease arrangement are now included on the balance sheet.
- We have reclassified some assets, particularly surplus assets and those held for sale
- Where employees have earned, but not taken, leave in the year this has been shown on the balance sheet.

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

The Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement discloses the income receivable and expenditure incurred in operating the Council for the year, and shows a deficit of £24.627 million for 2010/11. The main reason for the deficit is the change in the discount for social housing applied to Council House valuations from 49% to 34%, which has meant that an impairment has been included in the Statement.

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

Revenue spending in 2010/11

➢ **General Fund (GF) Services**

After considering the many spending pressures we faced, and the reductions we were able to make in our budget, we increased our Council Tax by 2.4%. We originally planned to spend £10.920 million, after using some of our past savings and allowing for expected income generated by services. We planned to provide funding to Area Forums to enable them to meet community partnership priorities, and set aside additional funding for replacement public conveniences at Polesworth. We also provided additional funding to the Citizens Advice Bureau.

The table below summarises our 2010/11 budget compared with the actual figures for General Fund Revenue Services.

	Original Budget £000	**Net Revenue Spending £000**
Total revenue spending	41,806	41,766
Less income relating to those services	31,819	32,536
Net Spending on Services	**9,987**	**9,230**
Interest Payable	28	13
Parish Precepts	888	888
Contribution to Balances	17	860
Total	**10,920**	**10,991**

The main changes from the original budget relate to:

- Reduced staffing costs due to a zero pay award, the deletion and freezing of a number of posts, some part year vacancies and a reduction in recruitment activity;
- An increase in the recovery of housing benefit overpayments and Council Tax legal costs;
- Lower than expected costs on concessionary fares;
- A reduction in income on a number of services including leisure centres, planning control, cesspool emptying, domestic and trade refuse collection;
- A contingency sum included within the budget was not needed;
- A general reduction in service expenditure on Parks and Open Spaces, Consultation, Support to Parishes, Community Development and Democratic Process budgets; and
- The receipt of Area Based Grant, which had not been included within the budget.

Our money in 2010/11 came mainly from Council Tax, the Government Revenue Support Grant and our share of Business Rates. We also obtained some income from investing our unused balances, and this was higher than expected when the original budget was set.

	Original Budget £000	Other Income £000
Council Tax	5,330	5,330
Revenue Support Grant	690	690
Business Rates	4,747	4,747
Contribution from Collection Fund	53	53
Interest on balances	100	171
Total	**10,920**	**10,991**

At the end of the year our total revenue reserves amounted to £7.520 million. The table below shows the different types of reserve we hold.

Revenue Reserves	**£000**
General Reserve (for unexpected events)	3,196
For capital spending (for spending on assets with a lasting value)	1,352
Other reserves (held for specific purposes)	2,979
Total	**7,527**

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

➢ **Housing Revenue Account (HRA)**

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

Spending on services includes the day-to-day costs of managing and maintaining the housing stock. A contribution is also made to the Major Repairs Reserve, which is used for the refurbishment of properties over the long term. We also have to pay an amount over to the Department for Communities and Local Government (CLG) into a national pool for housing.

	Original Budget £000	Net Revenue Spending £000
Spending on Services	3,959	4,062
Annual Cost of Capital Expenditure	300	30
Contribution to Major Repairs Reserve	1,732	1,732
Payment to the Government (CLG)	3,332	3,382
Contribution to Balances	7	179
Total	**9,330**	**9,385**

Spending on services is lower than the original budget due to:

- Expenditure on capital is lower than estimated, as no repayment has been made for prudential debt, until further work on self financing the housing stock has been completed. Leaving these funds in general balances ensures the funding is available for repayment in 2011/12 if needed;
- There were reductions in the cost of buildings insurance, recruitment costs, legal costs and costs associated with antisocial behaviour;
- Due to lower council house sales a higher contribution was made to the Repairs Fund;
- There have been increases in the level of audit fees charged to the Housing Revenue Account, the costs of utility services and supporting people contributions; and
- There has been an increase in the provision made for non recovery of service charges from leaseholders.

Spending on the Council's own housing stock is **not** paid for from Council Tax. It is mainly funded from the rents paid by tenants, with some other small additional amounts such as investment income. These are shown below.

	Original Budget £000	Net Income £000
Rents and Contributions	9,303	9,379
Interest earned	27	6
Total	**9,330**	**9,385**

- Rental income has increased due to lower council house sales than anticipated and lower levels of voids;
- Garage rental income has fallen due to the demolition of some garages to allow the building of 21 new properties; and
- Additional income from Leaseholder Service Charges due to work on achieving the decent homes standard.

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

At the end of the year our total revenue reserves in the Housing Revenue Account amounted to £2.039 million. The table below shows the different types of reserve we hold.

Revenue Reserves	**£000**
Housing Revenue Reserve (for unexpected events)	850
Major Repairs Reserve (for spending with a lasting value on housing assets)	1,057
Other reserves (held for specific purposes)	132
Total	**2,039**

Collection Fund Statement

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

Council Tax and Business Rates continued to be managed successfully with a collection rate of 98.4% for Council Tax and 99.4% for business rates falling due in 2010/11.

Capital Spending in 2010/11

Alongside our day-to-day costs we spend money on assets such as buildings, vehicles, equipment and computer systems. During 2010/11 our capital spending was less than the agreed programme and came to £4.557 million.

The 2010/11 Capital Programme includes amounts brought forward from 2009/10 that had not been spent and is shown below, together with a comparison to actual expenditure.

	Programme £000	Expenditure £000
Council Housing	3,937	3,230
Housing General Fund Services	971	639
Other General Fund Services	843	688
Total	**5,751**	**4,557**

A few projects have not been fully completed. Schemes such as council housing improvements and disabled facility grants to private sector housing tend to span several years and therefore spending does not always occur in a set period. Some work has also taken longer to ensure that maximum value for money is achieved, such as in the case of the Atherstone Accommodation Project.

All schemes not completed in 2010/11 are reviewed, and where the project is still needed, the money will be spent in 2011/12. Any remaining funding which is unspent will be available for other projects in the future, or to offset the capital deficit in the next few years.

We received some capital income during the year from the sale of one council house, one property in Meadow Street Atherstone and some land at Rectory Road Arley. The council house was sold under the Right to Buy legislation.

We revalue all of our assets within a five-year period, with a proportion revalued each year. The value of our assets in 2010/11 has reduced by £28.338 million, primarily due to the change to the social housing factor applied to council dwellings. New assets included relate to the renewal of Leisure Gym equipment, Information Technology infrastructure upgrades, a new refuse vehicle and the renewal of two play areas. When our spending in 2010/11 is included, together with some other adjustments, the total value of assets at the end of the year is £129.01 million.

We had £3 million of temporary borrowing at the end of the year and £87,022 of long term borrowing relating to the writing down of HRA premiums and discounts held on the balance sheet within the financial instruments adjustment account relating to the early repayment of debt in 2002. This will be written out over the remaining original life of the loans.

The level of capital resources held at the year-end for future capital spending was £5.55 million.

Pension Costs

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

Under IAS 26, the shortfall on the Local Government Pension scheme in the balance sheet is £15.758 million. Any change in service costs on the Income and Expenditure Statement is met by a transfer from the Pensions Reserve so that the charge against Council Tax reflects the actual cash paid during the year. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

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

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

Impact of the Current Economic Climate on the Council

The Council has had a Medium Term Financial Strategy (MTFS) in place for a number of years, which has included a requirement to find efficiencies and savings in our base budget position year on year. This ensures that we maintain enough general reserves, in case we are faced with unexpected expenditure. The reductions needed for 2010/11 were found before the year started, with minimal impact on front line services. During the year, there has been a fall in the income raised from the provision of a number of our services, but this has been more than offset by reductions in spending.

During the year, the outcome of the Comprehensive Spending Review was published, highlighting the need for us to revise our MTFS. The reduced level of funding from central government has been included in the updated strategy, together with revised savings targets. The savings needed for 2011/12 have been identified in advance and included in the budget approved by the Council. Savings of around £1.5 million will still be needed over the following three years, and will ensure that we continue to hold sufficient general reserves.

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

As mentioned earlier, there has been a substantial reduction in the value of our assets. The majority of this relates to our council housing stock. Under valuation guidelines we reduce the market value of the houses, to reflect their use for social housing. A change in the reduction we are required to apply has led to a fall in value, although demand for these properties has not reduced. In addition, the value of some of our industrial units has fallen due to the impact of the current economic climate and lower demand for the units.

Looking ahead to 2011/12

Central government offered an amount equal to a 2.5% increase for those councils who didn't increase their council tax in 2011/12. Given the difficult financial times ahead for most families, and the government support available, we reduced our Council Tax by 1% in 2011/12. We plan to use some of our reserves to support spending on services. The actual decrease in planned net spending (after service income) was 6.8%. We plan to spend £9.244 million in total, giving priority to Local Strategic Partnership initiatives for access to council services, health and wellbeing and raising the skills of our young people. We have also set aside funding to support Beeline and meet the costs of opposing High Speed 2.

Planned capital spending for 2011/12 is £4.120 million, including funding for 2010/11 schemes which were not completed. Our priority for capital spending continues to be maintaining our housing stock, along with providing support for those in private sector housing.

We will continue to try to meet inflationary costs and rising service demands by making our services more efficient and improving value for money. Our aims are set out in the budget resolution, which the Council approved in February 2011.

C J Brewer **CPFA**
Director of Resources, North Warwickshire Borough Council

STATEMENT OF RESPONSIBILITIES, ISSUE AND APPROVAL DATE

The Council's Responsibilities

The Council is required to:

1) Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In North Warwickshire Borough Council this is the Deputy Chief Executive.

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

3) Approve the Statement of Accounts.

The Deputy Chief Executive's Responsibilities

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

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

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

The Deputy Chief Executive has also:

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

Issue Date

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2010/11 give a true and fair view of the income and expenditure of the Council for the year ended 31 March 2011 and its financial position at 30 June 2011.

All known material events that have occurred up to and including this date, which relate to 2010/11 or before have been reflected in the accounts.

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

C J Brewer CPFA, Deputy Chief Executive

North Warwickshire Borough Council
Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants / Conts Unapplied £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 1 April 2009	**2,104**	**4,135**	**517**	**305**	**3,292**	**17**	**-**	**10,370**	**126,631**	**137,001**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services	(1,034)	-	2,590	-	-	-	-	**1,556**	-	**1,556**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(5,326)	**(5,326)**
Total Comprehensive Income and Expenditure	**(1,034)**	**-**	**2,590**	**-**	**-**	**-**	**-**	**1,556**	**(5,326)**	**(3,770)**
Adjustments between accounting basis and funding basis under regulations (note 6)	1,896	-	(2,519)	-	(628)	(16)	-	**(1,267)**	1,267	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**862**	**-**	**71**	**-**	**(628)**	**(16)**	**-**	**289**	**(4,059)**	**(3,770)**
Transfers to/from Earmarked Reserves (note 7)	(630)	100	82	(18)	-	-	-	**(466)**	466	**-**
Increase/ (Decrease) in 2009/10	**232**	**100**	**153**	**(18)**	**(628)**	**(16)**	**-**	**(177)**	**(3,593)**	**(3,770)**
Balance at 31 March 2010 carried forward	**2,336**	**4,235**	**670**	**287**	**2,664**	**1**	**-**	**10,193**	**123,038**	**133,231**
Movement in reserves during 2010/11										
Surplus or (deficit)on the provision of services	1,732	-	(26,397)	-	-	-	-	**(24,665)**	-	**(24,665)**
Other Comprehensive Income and Expenditure	-	-	38	-	-	-	8	**46**	5,993	**6,039**
Total Comprehensive Income and Expenditure	**1,732**	**-**	**(26,359)**	**-**	**-**	**-**	**8**	**(24,619)**	**5,993**	**(18,626)**
Adjustments between accounting basis and funding basis under regulations (note 6)	(668)	-	26,424	-	328	1,056	-	**27,140**	(27,140)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**1,064**	**-**	**65**	**-**	**328**	**1,056**	**8**	**2,521**	**(21,147)**	**(18,626)**
Transfers to/from Earmarked Reserves (note 7)	(204)	96	115	(155)	-	-	-	(148)	148	-
Increase/ (Decrease) in Year	**860**	**96**	**180**	**(155)**	**328**	**1,056**	**8**	**2,373**	**(20,999)**	**(18,626)**
Balance at 31 March 2011 carried forward	**3,196**	**4,331**	**850**	**132**	**2,992**	**1,057**	**8**	**12,566**	**102,039**	**114,605**

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2011

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

2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure		2010/11 Gross Expenditure	2010/11 Gross Income	2010/11 Net Expenditure
£000	**£000**	**£000**		**£000**	**£000**	**£000**
5,689	(5,302)	387	Central Services to the Public	5,840	(5,341)	499
11,914	(5,370)	6,544	Cultural, Environmental, Regulatory and Planning Services	9,949	(3,541)	6,408
487	(100)	387	Highways and Transport Services	486	(94)	392
14,522	(17,902)	(3,380)	Local Authority Housing (HRA)	45,575	(18,433)	27,142
8,204	(7,339)	865	Other Housing Services	9,055	(8,021)	1,034
1,668	(98)	1,570	Corporate and Democratic Core	1,504	(79)	1,425
27	-	27	Non-Distributed Costs	47	-	47
-	-	-	Non-Distributed Costs – Pensions past service costs	(3,750)	-	(3,750)
42,511	**(36,111)**	**6,400**	**COST OF SERVICES**	**68,706**	**(35,509)**	**33,197**
1,714	-	1,714	Other Operating expenditure (Note 8)	996	(8)	988
3,743	(2,724)	1,019	Financing and investment income and expenditure (Note 9)	4,525	(3,171)	1,354
-	(10,689)	(10,689)	Taxation and non-specific grant income (Note 10)	-	(10,874)	(10,874)
47,968	**(49,524)**	**(1,556)**	**(Surplus)/Deficit on Provision of Services**	**74,227**	**(49,562)**	**24,665**
-	-	-	Surplus or Deficit on revaluation of Property, Plant and Equipment	-	(38)	(38)
-	**-**	**-**	**Other Comprehensive Income and Expenditure**	**-**	**(38)**	**(38)**
47,968	**(49,524)**	**(1,556)**	**Total Comprehensive Income and Expenditure**	**74,227**	**(49,600)**	**24,627**

North Warwickshire Borough Council

The Balance Sheet as at 31 March 2011

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

1 April 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
140,066	147,653	Property, Plant & Equipment	11	120,691
7,757	8,215	Investment Property	12	7,461
959	750	Intangible Assets	13	545
132	124	Assets Held on Leases	37	191
5	5	Long Term Investments		5
19	15	Long Term Debtors		11
148,938	**156,762**	**LONG TERM ASSETS**		**128,904**
7,267	3,540	Short Term Investments	14/42	5,079
745	733	Assets Held for Sale	19	124
52	26	Inventories	15	52
2,507	2,657	Short Term Debtors	14/17	4,940
605	1,328	Cash and Cash Equivalents	18	1,671
11,176	**8,284**	**CURRENT ASSETS**		**11,866**
(2,000)	(2,000)	Short Term Borrowing	14	(3,000)
(4,632)	(4,252)	Short Term Creditors	14/20	(6,916)
(6,632)	**(6,252)**	**CURRENT LIABILITIES**		**(9,916)**
(132)	(124)	Other Long Term Liabilities (leases)	37	(191)
(16,268)	(24,397)	Pension Fund Liabilities	40	(15,758)
(81)	(1,042)	Capital Grants Receipts in Advance	34	(300)
(16,481)	**(25,563)**	**LONG TERM LIABILITIES**		**(16,249)**
137,001	**133,231**	**NET ASSETS**		**114,605**
10,370	10,193	Usable Reserves	22	12,566
126,631	123,038	Unusable Reserves	23	102,039
137,001	**133,231**	**TOTAL RESERVES**		**114,605**

Signed ____________________________ Date _____________

C J Brewer CPFA, Deputy Chief Executive

Cash Flow Statement for the Year Ended 31 March 2011

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

2009/10 £000		**2010/11 £000**
(1,556)	Net (surplus) or deficit on the provision of services	24,665
1,088	Adjustments to net surplus or deficit on the provision of services for non cash movements	(26,583)
(1,814)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	902
(2,282)	Net cash flows from Operating Activities (Note 24)	(1,016)
5,540	Investing Activities (Note 25)	858
(3,981)	Financing Activities (Note 26)	(185)
(723)	Net Increase or decrease in cash and cash equivalents	(343)
(605)	Cash and Cash Equivalents at the beginning of the reporting period	(1,328)
(1,328)	**Cash and Cash Equivalents at the end of the reporting period (Note 18)**	**(1,671)**

NOTES TO THE FINANCIAL STATEMENTS

1. **Transition to IFRS**

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standard (IFRS) basis. Adoption of the IFRS based Code has resulted in the restatement of some balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the main differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

<u>Short-term accumulating compensated absences</u>

Short-term accumulating compensated absences refers to benefits that employees received as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments Made £000
<u>Opening 1 April 2009 Balance Sheet</u>		
Accumulated Absences Account	-	64
<u>31 March 2010 Balance Sheet</u>		
Accumulated Absences Account	-	21
<u>2009/10 Comprehensive Income and Expenditure Statement</u>		
Cost of Services (Net):		
▪ Non Distributed Costs	-	(25)
▪ Local Authority Housing (HRA)	-	(18)

Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from the existing leases in the same way as it accounted for the income prior to the introduction of the Code. However, where we are a lessor, none of our properties have been affected by the changes.

As a consequence of reviewing all of our operating leases, we have reclassified two leases as finance leases. The financial statements have been amended as follows:

- We have recognised the public conveniences at Water Orton and Coleshill as assets and a corresponding finance lease liability.
- The operating lease charges within Cultural, Environmental, Regulatory and Planning Services have been removed.
- A depreciation charge has been included within Cultural, Environmental, Regulatory and Planning Services.
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payment is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Property, Plant and Equipment (leased assets)	-	132
Other Long-Term Liabilities (finance lease liability)	-	(132)
31 March 2010 Balance Sheet		
Property, Plant and Equipment (leased assets)	-	124
Other Long-Term Liabilities (finance lease liability)	-	(124)
2009/10 Comprehensive Income and Expenditure Statement		
Cultural, Environmental, Regulatory and Planning Services		(2)
Financing and Investment Income and Expenditure	-	2
	-	

The net change to the Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease charge for the buildings element of the lease (reduction of £9,390) and the inclusion of the depreciation charge (increase of £7,500).

The net increase in the Surplus or Deficit on the Provision of Services is removed by the transfer of the depreciation charge to the Capital Adjustment Account. This transfer is shown in the Movement in Reserves Statement.

Government Grants and Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants and contributions were held in grants and contributions deferred accounts and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The majority of the balances on the Government Grants Deferred Account and the Contributions Deferred Account at 31 March 2009 have been transferred to the Capital Adjustment Account in the opening 1 April 2009 balance sheet.
- Some of the grants held in the government grants deferred account had not been spent and had conditions attached to them, so they have been transferred to the Capital Grants Received in Advance Account. They relate to the construction of 25 new council houses and improvements to a play area.
- Portions of government grant deferred and contributions deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure statement in the comparative figures.
- Grants for play areas and building new council houses were received in 2009/10 but were not used in the year. No income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the liabilities section of the balance sheet. Both grants have conditions attached to them, so the income has been moved to Capital Grants Received in Advance, which is also within the liabilities section of the balance sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

	2009/10 Statements £000	Adjustments Made £000
Opening 1 April 2009 Balance Sheet		
Government Grant Deferred Account	(1,428)	1,428
Contributions Deferred Account	(128)	128
Capital Adjustment Account	(137,432)	1,475
Capital Grants Received in Advance	-	(81)
31 March 2010 Balance Sheet		
Government Grant Deferred Account	(1,290)	1,290
Contributions Deferred Account	(304)	304
Capital Adjustment Account	(140,228)	(1,594)
Capital Grants Received in Advance	-	(1,042)
Grants and Contributions Unapplied	(1,042)	1,042

2009/10 Comprehensive Income and Expenditure Statement		
Central Services to the Public	-	10
Cultural, Environmental, Regulatory and Planning Services	-	(83)
Highways, Roads and Transport services	-	3
Local Authority Housing (HRA)	-	(67)
Other Housing Services	-	11
Corporate and Democratic Core	-	6
Non-Distributed Costs	-	1

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

The new Financial Reporting Standard 30: Heritage Assets comes into effect for accounting periods beginning on or after 1 April 2010. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held in pursuit of its overall objectives in relation to the maintenance of the heritage. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art. As at 31 March 2011, the authority holds civic regalia assets with an insurance valuation of £27,500 which are not currently included within the Balance Sheet.

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 67 - 80, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

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

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

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependant on assumptions about the level of capital spending that will be incurred in relation to individual assets. Any unanticipated spending on assets will put a strain on the remaining capital resources available, which may bring into doubt the useful lives assigned to other assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £90,900 for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £5.305million. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pension's liability had decreased by £4.628 million as a result of estimates being corrected as a result of experience and decreased by £3.750 million attributable to updating the assumptions.
Arrears	At 31 March 2011, we had a balance of sundry debtors of £179,307. A review of significant balances suggested that an impairment of doubtful debts of 32.3% (£58,023) was appropriate. However in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the doubtful debts would require an additional £58,023 to set aside as an allowance.

5. Material Items of Income and Expense

During the year the authority sold a piece of land in Arley for housing development receiving £520,984 (see note 7 of the Housing Revenue Account, page 61, for details).

An amount relating to past service pension costs of £3,750,000 is shown separately in the Comprehensive Income and Expenditure Statement and in the pensions note 40 (table on page 52). These are due to changes in pension assumptions and include a move from the Retail Price Index to the Consumer Price Index, in the valuation of future increases in the pension fund.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

	Usable Reserves					
2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	(941)	(28,498)	-	(1,559)	-	30,998
Amortisation of intangible assets	(234)	-	-	-	-	234
Capital grants and contributions applied	231	1,028	-	-	-	(1,259)
Revenue expenditure funded from capital under statute	(221)	-	-	-	-	221
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(6)	(688)	-	-	-	694
Revaluation gain on property, plant and equipment	-	-	-	-	-	-
Movements in the market value of investment properties	(279)	(80)	-	-	-	359
Reversal of impairment losses	-	38	-	-	-	(38)
Insertion of items not debited/credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	344	-	-	-	-	(344)
Capital expenditure charged against the GF and HRA balances	72	120	-	-	-	(192)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	635	(635)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	257	-	-	(257)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	-	(5)	5	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the governments capital receipts pool	(49)	-	49	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Deferred Capital Receipts	-	-	(4)	-	-	4
	Usable Reserves					

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of the Major Repairs Allowance credited to the HRA	-	172	-	(172)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	675	-	(675)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	30	-	-	-	(30)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits	1,750	830	-	-	-	(2,580)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	15	-	-	-	-	(15)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statements on an accruals basis is different from remuneration rechargeable in the year in accordance with statutory requirements	(14)	(6)	-	-	-	20
Total Adjustments	**668**	**(26,424)**	**(328)**	**(1,056)**	**-**	**27,140**

	Usable Reserves					
2009/10 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited/credited to the Comprehensive Income & Expenditure Statement	-	-	-	-	-	-
Charges for depreciation and impairment of non-current assets	(658)	(135)	-	(1,986)	-	2,779
Amortisation of intangible assets	(253)	-	-	-	-	253
Capital grants and contributions applied	-	114	-	-	-	(114)
Revenue expenditure funded from capital under statute	(161)	-	-	-	-	161
Amounts of non current assets written off on disposal to the Comprehensive Income and Expenditure Statement	-	(1,219)	-	-	-	1,219
Reversal of impairment losses on Council Houses	-	3,061	-	-	-	(3,061)
Insertion of items not debited/credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Statutory provision for the financing of capital investment	161	-	-	-	-	(161)
Capital expenditure charged against the GF and HRA balances	46	365	-	-	-	(411)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	78	528	(606)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	999	-	-	(999)
Contribution from the Capital Receipts Reserve to finance the payments to the governments capital receipts pool	(239)	-	239	-	-	-
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Deferred Capital Receipts	-	-	(4)	-	-	4
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of the Major Repairs Allowance credited to the HRA	-	(271)	-	271	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	1,731	-	(1,731)
	Usable Reserves					

2009/10 comparative figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	28	-	-	-	(28)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits	(906)	30	-	-	-	876
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different form the council tax income calculated for the year in accordance with statutory requirements	11	-	-	-	-	(11)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statements on an accruals basis is different from remuneration rechargeable in the year in accordance with statutory requirements	25	18	-	-	-	(43)
Total Adjustments	**(1,896)**	**2,519**	**628**	**16**	-	**(1,267)**

7. Transfer to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009	Transfers Out 2009/10	Transfers in 2009/10	**Balance at 31 March 2010**	Transfers Out 2010/11	Transfers in 2010/11	**Balance at 31 March 2011**
	£000	£000	£000	**£000**	£000	£000	**£000**
General Fund							
External funding received towards the provision of council services	**882**	(323)	279	**838**	(290)	190	**738**
One off funding set aside to progress specific council priorities	**140**	-	-	**140**	(13)	-	**127**
Contingency funding set aside to cover potential risks on areas such as VAT recovery and the receipt of benefit subsidy	**267**	(3)	148	**412**	(83)	41	**370**
Other reserves held for revenue purposes to cover timing issues on spending	**1,501**	(129)	453	**1,825**	(335)	229	**1,719**
Reserves held on behalf of Other Organisations	**22**	**-**	**-**	**22**	**-**	**-**	**22**
Reserves Held for Capital Spending	**1,323**	(441)	116	**998**	(142)	499	**1,355**
Total General Fund Reserves	**4,135**	**(896)**	**996**	**4,235**	**(863)**	**959**	**4,331**
HRA							
Housing Act Advances	**55**	-	-	**55**	(40)	-	**15**
Housing Repairs Reserve	**150**	-	32	**182**	(65)	-	**117**
Reserves held for Capital spending	**100**	(132)	82	**50**	(50)	-	**-**
Total HRA Reserves	**305**	**(132)**	**114**	**287**	**(155)**	**-**	**132**
Total Earmarked Reserves	**4,440**	**(1,028)**	**1,110**	**4,522**	**(1,018)**	**959**	**4,463**

8. Other Operating Expenditure

2009/10 £000		2010/11 £000
862	Parish council precepts	888
239	Payments to the Government Housing Receipts Pool	49
613	Gains/losses on the disposal of non current assets	51
1,714	**Total**	**988**

9. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
27	Interest payable and similar charges	13
(196)	Interest receivable and similar income	(171)
1,211	Pensions interest and expected return on pension assets	1,087
(23)	Income and expenditure in relation to investment properties and changes in their fair value	425
1,019	**Total**	**1,354**

10. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
(5,242)	Council tax income **	(5,398)
(4,357)	Non domestic rates	(4,747)
(1,090)	Non-ring fenced government grants *	(729)
(10,689)	**Total**	**10,874**

* Non-ring fenced government grants are shown individually in note 34.
** Council Tax income includes a contribution from the collection fund of £53,000 and the authority share of the residual balance as detailed in note 23 on the collection fund of £15,000

11. Property, Plant and Equipment

Movements in balances in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
As at 1 April 2010	120,146	60,056	2,975	23	124	-	88	**183,412**
Additions	1,042	169	389	-	-	-	2,017	**3,617**
Revaluations increases/decreases recognised in the Revaluation Reserve	(6)	84	-	-	-	-	-	**78**
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of services	2	36	-	-	-	-		**38**
De-recognition - disposals	(24)	(56)	(25)	-	-	-	-	**(105)**
De-recognition - Other	-	-	-	-	-	-	-	
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	
Other movements in Cost or Valuation	797	381	-	-	-	-	(1,178)	**-**
As at 31 March 2011	**121,957**	**60,670**	**3,339**	**23**	**124**	**-**	**927**	**187,040**
Accumulated Depreciation and Impairment								
As at 1 April 2010	(32,438)	(2,065)	(1,253)	(3)	-	-	-	**(35,759)**
Depreciation charge	(1,482)	(397)	(344)	(1)	-	-	-	**(2,224)**
Depreciation written out to the Revaluation Reserve	53	200	-	-	-	-	-	**253**
Depreciation written out to the Surplus / Deficit on the Provision of Services	1,775	58	-	-	-	-	-	**1,833**
Impairment losses / (reversals) recognised in the Revaluation Reserve	(2)	(6)	-	-	-	-	-	**(8)**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(18,922)	(11,066)	-	-	-	-	(481)	**(30,469)**
De-recognition - disposals	-	-	25	-	-	-	-	**25**
De-recognition - Other	-	-	-	-	-	-	-	**-**
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**
At 31 March 2011	**(51,016)**	**(13,276)**	**(1,572)**	**(4)**	**-**	**-**	**(481)**	**(66,349)**
Net Book Value								
At 31 March 2011	**70,941**	**47,394**	**1,767**	**19**	**124**	**-**	**446**	**120,691**
At 31 March 2010	**87,708**	**57,991**	**1,722**	**20**	**124**	**-**	**88**	**147,653**

Comparative movements in balances in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
As at 1 April 2009	113,107	60,056	2,312	8	124	32	-	175,639
Additions	5,850	215	1,153	15	-	-	88	7,321
Donations	-	-	-	-	-	-	-	-
Revaluations increases/decreases recognised in the Revaluation Reserve	(362)	(291)	-	-	-	-	-	(653)
Revaluations increases/decreases recognised in the Surplus / Deficit on the Provision of services	3,051	(50)	-	-	-	(32)	-	2,969
De-recognition - disposals	(769)	(407)	(490)	-	-	-	-	(1,666)
De-recognition - Other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-
Other movements in Cost or Valuation	(731)	533	-	-	-	-	-	(198)
As at 31 March 2010	**120,146**	**60,056**	**2,975**	**23**	**124**	**-**	**88**	**183,412**
Accumulated Depreciation and Impairment								
As at 1 April 2009	(32,412)	(1,665)	(1,493)	(3)	-	-	-	(35,573)
Depreciation charge	(1,846)	(461)	(250)	-	-	-	-	(2,557)
Depreciation written out to the Revaluation Reserve	-	163	-	-	-	-	-	163
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	(129)	-	-	-	-	-	(129)
Impairment losses / (reversals) recognised in the Revaluation Reserve	1,217	-	-	-	-	-	-	1,217
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	15	-	490	-	-	-	-	505
Derecognition - Other	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	588	27	-	-	-	-	-	615
As at 31 March 2010	**87,708**	**57,991**	**1,722**	**20**	**124**	**-**	**88**	**147,653**

Depreciation

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

Building	**Assumed Life (Years)**
Leisure Centres	10 – 20
Other arts/leisure venues	5
Community Centres	4-52
Pavilions	10 – 43
Hostels (was 40)	50
Shops (was 5-50)	17 – 50
Public Conveniences	20
Offices and Depot	20 – 50

Capital Commitments

A significant contract that the Council entered into in 2009/10 related to the construction of 25 new council houses on old garage sites. The total value of this was £2.2 million. Construction of 21 of the houses was completed during 2010/11. The final four houses are due to be completed in July 2011.

Revaluations

We carry out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations based on 1 April 2010 were carried out by the Council's internal valuer, Mr Richard Lewis (FRICS), who is a Chartered Valuation Surveyor. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The valuation methods used for each type of asset category are detailed in note 16 of the Accounting Policies section (Property, Plant and Equipment).

The significant assumptions applied in estimating the fair values are:

- A change from 49% to 34% in the adjustment factor 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 Buildings	**Other Land and Buildings**	**Vehicles, Plant, Furniture and Equipment**	**Surplus Assets***	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	-	10,022	1,929	-	**11,951**
Valued at fair value as at:					
31 March 2011	(17,113)	(10,458)	364	-	**(27,207)**
31 March 2010	7,039	(177)	663	-	**7,525**
31 March 2009	(24,642)	183	5	(2,606)	**(27,060)**
31 March 2008	5,486	2,707	70	2,606	**10,869**
31 March 2007	101,653	46,734	308	-	**148,695**
Total Cost or Valuation	**72,423**	**49,011**	**3,339**	**-**	**124,773**

*With the implementation of International Financial Reporting Standards (IFRS) the authority had to reassess items previously categorised as surplus. As a consequence assets classed as surplus at 31 March 2008 have been reclassified.

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 2010/11. 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 £
Sheepy Road Depot	2058/59	2062/63	(622)
Temporary Accommodation – Grove Road	2048/49	2062/63	(320)
Shops At Long Street Atherstone (3)	2028/29	2060/61	(7,568)
Shops At Lister Road Atherstone (6)	2013/14	2025/26	(32,340)
Shops At Jubilee Court Kingsbury (8)	2048/49	2060/61	(1,178)
Shops At Church Walk Mancetter (4)	2013/14	2025/26	(13,440)
Shops At Nethersole Street Polesworth (2)	2033/34	2060/61	(533)
Shop At Main Road Shuttington (1)	2033/34	2060/61	(378)
Shop At Edward Road Water Orton (1)	2033/34	2060/61	(1,113)
Total			**(57,492)**

12. Investment Properties

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

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

2009/10 £000		2010/11 £000
(434)	Rental income from investment property	(417)
195	Direct operating expenses arising from investment property	483
216	Change in fair value of investment properties	359
(23)	**Net (gain)/loss**	**425**

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

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

2009/10 £000		2010/11 £000
7,757	**Balance at start of the year**	**8,215**
(58)	Disposals	(6)
(216)	Net gains/losses from fair value adjustment in the Consolidated Income and Expenditure Statement	(359)
-	Net gains/losses from fair value adjustment in the Revaluation Reserve	(389)
732	Transfers - to/from Property, Plant & Equipment	-
8,215	**Balance at the end of the year**	**7,461**

13. Intangible Assets

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

All software is given a finite, useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software licences used by the Authority are:

Warwickshire Online Partnership	4 - 10 years
Contact Centre	5 - 8 years
Electronic Document and Records Management System	8 years
Total (Financial Management System)	9 -10 years
Graphic Interface System enhancements	8 - 9 years
Planning System (SX3)	8 -10 years
Housing Rents System	10 years
Housing DSO	10 years
Housing Management and Repairs System (IBS)	10 years
Microsoft Licence	3 - 4 years
Web Development	5 - 8 years

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 £234,043 charged to revenue in 2010/11 was charged to the Information Services cost centre and then absorbed as an overhead across the relevant service headings in the Net Expenditure of Services. The Housing Rents, Housing Direct Service Organisation and IBS systems which relate to housing were attributed directly to the Housing Revenue Account. The planning system was apportioned to the Planning and Development Service. Corporate systems such as Total and Microsoft Licences are recharged across all services.

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

	2009/10	2010/11
	Software Licences £000	**Software Licences £000**
Balance at start of year		
Gross carrying amounts	1,972	1,981
Accumulated amortisation	(1,013)	(1,231)
Net carrying amount at start of year	**959**	**750**
Additions:		
Expenditure in the year	44	29
Other disposals	(35)	-
Amortisation for the period	(253)	(234)
Other changes	35	-
Net carrying amount at end of year	**750**	**545**

Comprising:		
▪ Gross carrying amounts	1,981	2010
▪ Accumulated amortisation	(1,231)	(1,465)
Net carrying amount at end of year	**750**	**545**

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

- Warwickshire Online Partnership. The main software purchased as a Warwickshire partnership cost £229,918 in 2004/05 and additional modules were purchased between 2004/05 and 2005/06 costing £59,845. The assets are being written off over a period of between 4 and 10 years,
- Contact Centre. The software purchased specifically by NWBC for it's own service integration cost £188,345 between 2003/04 and 2007/08 and is being amortised over a period of between 5 and 8 years,
- EDRMS. The software cost £308,304 from 2005/06 to 2008/09 and is being amortised over an 8 year period,
- Task FMS. The software cost £164,154 in 2004/05 and 2005/06 and is being amortised over the 10 year life of the licence,
- GIS enhancements. The software cost £129,040 in 2005/06 and 2006/07. The cost is being amortised until 2013/14,
- Planning System (SX3). The software cost £137,563 in 2005/06 and 2006/07. The cost is being amortised until 2013/14,
- Housing Rents System. The software cost £77,138 in 2004/05 and 2005/06. The cost is being amortised over the 10 year life of the licence,
- Housing DSO. The software cost £84,154 from 2002/03 to 2004/05 and is being amortised over the 10 year life of the licence,
- Housing Management and Repairs System (IBS). The software cost £69,245 in 2007/08 and is being amortised over the 10 year life of the licence.

- Microsoft Licence. The software cost £93,582 in 2008/09, 2009/10 and 2010/11. The cost is being amortised over the 3 year life of the licence,

- Web Development. The software was purchased between 2005/06 and 2007/08 costing £133,564 and is being written off from between 5 and 8 years.

14. Financial Instruments

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

	Long-Term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Financial Liabilities (principal amount)	152	119	2,000	3,000
-Other accounting adjustments	-33	-31	-	-
Financial Liabilities at amortised cost (1)	119	88	2,000	3,000
Total Borrowing	**119**	**88**	**2,000**	**3,000**
Total Creditors	**124**	**191**	**4,252**	**6,916**
Loans and Receivables (principal amount)	7	2	3,540	5,079
-Other accounting adjustments	-5	-1	-	-
Loans and Receivables at amortised cost (1)	**2**	**1**	**3,540**	**5,079**
Financial Assets at Fair Value through profit or loss (2)	**5**	**5**	**-**	**-**
Total Investments	**7**	**6**	**-**	**-**
Total Debtors	**15**	**11**	**2,657**	**4,940**

(1) 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.

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

- Gains and Losses on Repurchases of Borrowing

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

➢ Loans below Market Rates

The Authority provided an interest free loan of £6,500 to Nether Whitacre Village Hall in 1985 repayable in equal instalments over 25 years. The loan was fully repaid in 2010/11. Under the new regulations on Financial Instruments, we should record the interest forgone over the period of the loan in the Comprehensive Income and Expenditure Statement. The interest calculation for 2010/11 is immaterial, so no adjustment has been made in the accounts.

During 2010/11 the Council granted Decent Homes Standard loans to 12 private owner occupiers totalling £11,156 and Disabled Facilities loans to 17 private owner occupiers totalling £83,865. The Authority is due to have the loans repaid when the properties are sold in the future. Given the uncertainty of future timescales, these loans have been fully funded through the Council's capital programme. Any funds recovered in the future will therefore be a windfall to the Council.

15. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	18	7	24	18	10	1	52	26
Purchases	324	361	344	447	-	2	668	810
Recognised as an expense in the year	(333)	(350)	(350)	(434)	(9)	-	(692)	(784)
Written off balances	(2)	-	-	-	-	-	(2)	-
Balance at year end	7	18	18	31	1	3	26	52

16. Construction contracts

At 31 March 2011 the Authority had one construction contract still in progress. This relates to 4 new build properties at Fillongley.

17. Debtors

01 April 2009 £000	**31 March 2010 £000**		**31 March 2011 £000**
1,122	1,512	Central Government Bodies	4,056
55	69	Other Local Authorities	85
1,330	1,076	Other Entities and Individuals	799
2,507	**2,657**	**TOTAL**	**4,940**

18. Cash and Cash Equivalents

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

01 April 2009 £000	**31 March 2010 £000**		**31 March 2011 £000**
3	3	Cash held by the Authority	3
602	1,325	Bank current accounts	1,668
605	**1,328**	**Total Cash and Cash Equivalents**	**1,671**

19. Assets Held for Sale

	Current		Non-Current	
	2009/10	2010/11	2009/10	2010/11
	£000	£000	£000	£000
Balance outstanding at start of year	**745**	**733**	**-**	**-**
Assets newly classified as held for sale:				
▪ Property, Plant & Equipment	-	-	-	-
▪ Intangible Assets	-	-	-	-
▪ Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	(12)	-	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:		-		-
▪ Property, Plant & Equipment	-	-	-	-
▪ Intangible Assets	-	-	-	-
▪ Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	-	(609)	-	-
Transfers from non current to current	-	-	-	-
(Other movements)	-	-	-	-
Balance outstanding at year end	**733**	**124**	**-**	**-**

20. Creditors

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
806	1,207	Central Government Bodies	1,252
499	615	Other Local Authorities	727
3,327	2,430	Other entities and individuals	4,937
4,632	**4,252**	**TOTAL**	**6,916**

21. Provisions

As at 31 March 2011, we held no provisions (none were held at 31 March 2010).

22. Usable Reserves

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

23. Unusable Reserves

01 April 2009 £000	31 March 2010 £000		31 March 2011 £000
(3,708)	(5,531)	Revaluation Reserve	(5,281)
(139,324)	(141,960)	Capital Adjustment Account	(112,551)
145	117	Financial Instruments Adjustment Account	87
(19)	(15)	Deferred Capital Receipts Reserve	(11)
16,268	24,397	Pensions Reserve	16,017
(57)	(67)	Collection Fund Adjustment Account	(82)
64	21	Accumulated Absences Account	41
(126,631)	**(123,038)**	**Total Unusable Reserves**	**(101,780)**

Revaluation Reserve

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

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

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

2009/10 £000		2010/11 £000
(3,708)	**Balance at 1 April**	**(5,531)**
(2,237)	Upward revaluation of assets	(337)
310	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	14
-	Downward revaluation of investment properties impairment losses not charged to the Surplus/Deficit on the Provision of Services	389
90	Difference between fair value depreciation and historical cost depreciation	184
14	Amount written off to the Capital Adjustment Account	-
(5,531)	**Balance at 31 March**	**(5,281)**

Capital Adjustment Account

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

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

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

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

2009/10 £000		**2010/11 £000**	
(139,324)	**Balance at 1 April**		**(141,960)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,779	▪ Charges for depreciation and impairment of non current assets	30,998	
-	▪ Revaluation losses on Property, Plant and Equipment	-	
253	▪ Amortisation of intangible assets	234	
161	▪ Revenue expenditure funded from capital under statute	221	
1,219	▪ Amounts of non current assets written off under disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	694	
(106)	Adjusting amounts written out of the Revaluation Reserve	(184)	
-	Movements in the market value of Investment Property	359	
(3,061)	Reversal of previous impairment losses	(38)	32,284
	Capital financing applied in the year:		
(999)	▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(257)	
(1,731)	▪ Use of the Major Repairs Reserve to finance new capital expenditure	(675)	
(113)	▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,259)	
(161)	▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(344)	
(877)	▪ Capital expenditure charged against the General Fund and HRA balances	(340)	(2,875)
(141,960)	**Balance at 31 March**		**(112,551)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the account to manage premiums paid and discounts received on the early redemption of loans. The current balance relates to the early redemption of HRA loans, so the balance on the Account at 31 March 2011 will be charged to the Housing Revenue Account over the next 3 years.

2009/10 £000		**2010/11 £000**
145	**Balance at 1 April**	**117**
(28)	Proportion of premiums incurred in previous financial years to be charged against the Housing Revenue Account balance in accordance with statutory requirements	(30)
117	**Balance at 31 March**	**87**

The Pensions Reserve

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

2009/10 £000		**2010/11 £000**
16,268	**Balance at 1 April**	**24,397**
7,253	Actuarial gains or losses on pension assets and liabilities	(6,059)
(313)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(3,816)
1,189	Employer’s pensions contributions and direct payments to pensioners payable in the year	1,236
24,397	**Balance on Reserve 31 March**	**15,758**

Deferred Capital Receipts Reserve

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

2009/10 £000		2010/11 £000
(19)	**Balance at 1 April**	**(15)**
4	Transfer to the Capital Receipts Reserve upon receipt of cash	4
(15)	**Balance on Reserve 31 March**	**(11)**

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000's
(57)	**Balance at 1 April**	**(67)**
(10)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated of the year in accordance with statutory requirements	(15)
(67)	**Balance on Reserve 31 March**	**(82)**

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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.

2009/10 £000		2010/11 £000
64	**Balance at 1 April**	**21**
(64)	Settlement of cancellation of accrual made at the end of the preceding year	(21)
21	Amounts accrued at the end of the current year	41
21	**Balance on Reserve 31 March**	**41**

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10	2009/10		2010/11	2010/11
£000	£000		£000	£000
		REVENUE ACTIVITIES		
		Cash Outflows		
8,261		Cash paid to and on behalf of employees	8,217	
22,896		Other operating cash costs	22,316	
6,841		Housing Benefit paid out	7,751	
5,809		Precepts paid out	5,934	
3,178		Payment to the National Housing Pool	3,382	
163	47,148	Payments to the Capital Receipts Pool	229	47,829
		Cash Inflows		
(9,162)		Rents (after rebates)	(9,378)	
(1,090)		Revenue Support Grant, Area Based Grant and Housing and Planning Delivery Grant	(729)	
(4,357)		Receipts from National Non Domestic Rates Pool (NNDR)	(4,747)	
(5,231)		Precepts Received	(5,383)	
(16,524)		DWP Grants for Benefits	(17,260)	
(683)		Other Government Grants	(665)	
(11,088)		Cash received for goods and services	(5,148)	
(1,017)		Other revenue income	(5,184)	
(87)	(49,239)	Council Tax income	(200)	(48,694)
	(2,091)	Cash movement relating to revenue activities		(865)
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
5		*Cash Outflows*	6	
		Interest paid		
		Cash Inflows		
(196)	(191)	Interest received	(157)	(151)
	(2,282)			**(1,016)**

Net cash flow from operating activities

2009/10 £000	2009/10 £000		2010/11 £000	2010/11 £000
	1,394	Income and Expenditure (Deficit)/Surplus		(24,627)
		Add		
(242)		Government Grants and Other Contributions Deferred	-	
(31)		Contribution (to)/from Housing Repairs Reserve	65	
(630)		Contributions to reserves	(1,311)	
613		Loss on sale of Assets	51	
239		Receipts re payment to Housing Pool	49	
(11)		Reversal of the Collection Fund Adjustment	(15)	
(335)		Net movement on pensions	(3,667)	
(1,736)		Depreciation and Amortisation of Assets	29,916	
-		Surplus or Deficit on Revaluation of Property, Plant and Equipment	38	
161		Write down of revenue expenditure funded from capital under statute	192	
-		Accumulated Absences	20	
1,211		Reversal of Current Pension Costs in Service Accounts	1,087	
74	(687)	Deminimus Charges	120	26,545
	707			1,918
		Add		
427		Increase/(Decrease) in Reserves	225	
805		Increase/(Decrease) in Creditors	4,231	
(272)		Increase/(Decrease) in Receipts in Advance	137	
567		(Increase)/Decrease in Debtors	(5,551)	
26		(Increase)/Decrease in Stocks and WIP	(26)	
22	1,575	(Increase)/Decrease in Prepayments	82	(902)
	2,282	**Net cash flow from operating activities**		**1,016**

25. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
8,719	Purchase of property, plant and equipment, investment property and intangible assets	3,761
514	Other payments for investing activities	571
(903)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(635)
(2,790)	Other receipts from investing activities	(2,839)
5,540	**Net cash flows from investing activities**	**858**

26. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
-	Cash receipts of short and long term borrowing	(1,000)
(3,981)	Other receipts from financing activities	815
(3,981)	**Net cash flows from financing activities**	**(185)**

27. Amounts Reported for Resource Allocation Decisions

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

- Only depreciation charges are made in relation to capital expenditure (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are also charged to services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than the current service cost of benefits accrued in the year.
- Expenditure on some services and support services is budgeted for centrally and not charged to Service Boards.

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

Service Board Income and Expenditure 2010/11	**Executive board**	**Community & Environment Board**	**Planning & development Board\Licensing**	**Resources Board**	**Housing Revenue Account**	**Total**
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(8)	(1,820)	(669)	(1,028)	(11,641)	(15,166)
Government grants	(57)	(212)	(107)	(18,941)	(1,070)	(20,387)
Total Income	**(65)**	**(2,032)**	**(776)**	**(19,969)**	**(12,711)**	**(35,553)**
Employee expenses*	52	647	189	(247)	472	1,113
Other service expenses	48	4,218	601	20,415	8,937	34,219
Support Service Recharges*	240	1,213	446	2,223	1,394	5,516
Total Expenditure	**340**	**6,078**	**1,236**	**22,391**	**10,803**	**40,848**
Net Expenditure	**275**	**4,046**	**460**	**2,422**	**(1,908)**	**5,295**

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

Service Board Income and Expenditure 2009/10 Comparative Figures	**Executive board**	**Community & Environment Board**	**Planning & development Board/Licensing**	**Resources Board**	**Housing Revenue Account**	**Total**
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(43)	(1,887)	(562)	(921)	(9,331)	(12,744)
Government grants	(8)	(347)	(82)	(17,751)	-	(18,188)
Total Income	**(51)**	**(2,234)**	**(644)**	**(18,672)**	**(9,331)**	**(30,932)**
Employee expenses	157	1,819	433	1,370	1,301	5,080
Other service expenses	113	4,300	206	18,894	6,571	30,084
Support Service Recharges	276	1,360	622	2,522	1,228	6,008
Total Expenditure	**546**	**7,479**	**1,261**	**22,786**	**9,100**	**41,172**
Net Expenditure	**495**	**5,245**	**617**	**4,114**	**(231)**	**10,240**

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

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

2009/10 £000		**2010/11 £000**
10,240	Net expenditure in the Service Board Analysis	**5,295**
3	Net expenditure of services and support services not included in the Analysis	59
(3,627)	Amounts in the Comprehensive Income and Expenditure Statement not reported to Members in the Analysis	27,843
6,616	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**33,197**

Reconciliation to Subjective Analysis

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

2010/11	**Service Board analysis**	**Service and Support Service not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(15,166)	-	-	-	-	(417)	-	(15,583)
Interest and investment income	-	-	-	-	-	-	(2,678)	(2,678)
Income from council tax	-	-	-	-	-	-	(5,398)	(5,398)
Government grants and contributions	(20,387)	(231)	-	-	-	-	(5,476)	(26,094)
Total Income	**(35,553)**	**(231)**	**-**	**-**	**-**	**(417)**	**(13,552)**	**(49,753)**
Employee expenses	1,113	-	-	-	-	-	-	1,113
Other service expenses	31,544	(424)	-	-	-	483	-	31,603
Support service recharges	5,516	-	-	-	-	-	-	5,516
Depreciation, amortisation and impairment	2,675	28,498	(38)	-	59	359	-	31,553
Interest payments	-	-	-	-	-	-	3,607	3,607
Precepts and levies	-	-	-	-	-	-	888	888
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	49	49
Gain or loss on disposal of non current assets	-	-	-	-	-	-	51	51
Total Expenditure	**40,848**	**28,074**	**(38)**	**-**	**59**	**842**	**4,595**	**74,380**
Surplus or deficit on the provision of services	**5,295**	**27,843**	**(38)**	**-**	**59**	**425**	**(8,957)**	**24,627**

2009/10	Service Board analysis	Service and Support Service not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(12,744)	(6)	-	-	(434)	-	-	(13,184)
Interest and investment income	-	-	-	-	-	-	(2,290)	(2,290)
Income from council tax	-	-	-	-	-	-	(5,242)	(5,242)
Government grants and contributions	(18,188)	84	-	-	-	-	(5,447)	(23,551)
Total Income	**(30,932)**	**78**	**-**	**-**	**(434)**	**-**	**(12,979)**	**(44,267)**
Employee expenses	5,080	(75)	-	-	2	-	-	5,007
Other service expenses	27,667		(768)	-	193	-	-	27,092
Support service recharges	6,008	-	-	-	-	-	-	6,008
Depreciation, amortisation and impairment	2,417	-	(2,859)	-	-	-	-	(442)
Interest payments	-	-	-	-	-	-	3,332	3,332
Precepts and levies	-	-	-	-	-	-	862	862
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	239	239
Gain or loss on disposal of non current assets	-	-	-	-	-	-	613	613
Total Expenditure	**41,172**	**(75)**	**(3,627)**	**-**	**195**	**-**	**5,046**	**42,711**
Surplus or deficit on the provision of services	**10,240**	**3**	**(3,627)**	**-**	**(239)**	**-**	**(7,933)**	**(1,556)**

28. Trading Operations

We operate a number of trading accounts, primarily for those services that formerly operated under Compulsory Competitive Tendering legislation. Any surplus or deficit resulting from these trading activities forms part of the Council's Net Cost of Service. For 2010/11 the total surplus resulting from trading activities totalled £863,303 and the following table summarises the financial performance for each.

DSO	2009/10 Expend £000	2009/10 Income £000	2009/10 (Surplus)/ Deficit £000	2010/11 Expend £000	2010/11 Income £000	2010/11 (Surplus)/ Deficit £000
Building Maintenance – the DSO carries out repairs and maintenance on the councils housing stock	1,895	(1,971)	(76)	1,880	(2,248)	(368)
Horticulture – the DSO maintains the Council's parks, playing fields and open spaces	450	(522)	(72)	359	(529)	(170)
Refuse Collection – the DSO collects both domestic and trade refuse	894	(946)	(52)	824	(1,004)	(180)
Amenity Cleaning – the DSO carries out street cleaning and litter picking activities.	432	(475)	(43)	320	(465)	(145)
Totals	**3,671**	**(3,914)**	**(243)**	**3,383**	**(4,246)**	**(863)**

29. Agency Services

Warwickshire County Council provides a payroll service to the Council, involving a total payment of £8.496 million for employees and members of the council. Of this sum £1.772 million is paid to Her Majesty's Revenue and Customs and £0.470 million is paid to Warwickshire County Council pensions department. We pay a nominal charge of £1 per annum for this service.

30. Pooled Budgets

We are part of a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services. The initial agreement, which covered a period of 2 years and commenced in November 2007, has been extended. 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.

		2009/10 £000		2010/11 £000
Funding provided to the pooled budget:				
• North Warwickshire	68,290		65,130	
• Nuneaton and Bedworth	130,810	199,100	124,760	189,890
Expenditure met from the pooled budget:				
• North Warwickshire	118,375		87,891	
• Nuneaton and Bedworth	226,742	345,117	168,351	256,242
Net deficit arising on the pooled budget during the year		146,017		66,352
Authority share of 34.3% of the net deficit arising from the pooled budget		50,085		22,759

31. Members' Allowances

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

	2009/10	2010/11
	£000	£000
Allowances	230	230
Expenses	10	10
Total	**240**	**240**

32. Officers' Remuneration

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

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

2009/10 Job Title	Salaries, Fees & Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive	97,181	5,965	13,914	117,060
Director of Resources	76,601	6,059	10,971	93,631
Director of Community & Environment	76,601	-	10,954	87,555

The Director of Community & Environment retired on 30 June 2010. Following a review of the senior management structure, a revised structure was put into place from July 2010. Both Director posts were removed from the revised structure, and a post of Deputy Chief Executive was established. In addition, 2 posts at Assistant Director level took on some additional duties (remuneration for these two posts is included in the table below). Overall the restructure will save £85,000 per annum.

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

Employee Pay Bands	2009/10 staff numbers	2010/11 staff numbers
£50,000-£54,999	1	2
£55,000-£59,999	5	4
£60,000-£64,999	1	1
£65,000-£69,999	-	1
£70,000-£74,999	-	-
£75,000-£79,999	-	-
	7	**8**

33. External Audit Costs

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

The table below indicates the costs incurred, or to be incurred, on the audit of the 2010/11 accounts.

Type of Audit Work	2009/10 £000	2010/11 £000
Fees payable to PriceWaterhouseCoopers LLP with regard to external audit services carried out for the year	92	98
Fees payable in respect of statutory inspections	8	2
Fees payable for the certification of grant claims and returns for the year	40	44
Fees payable in respect of other services during the year - IFRS	-	3
Total	**140**	**147**

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

34. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2009/10	2010/11
	£000	**£000**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,005	690
Area Based Grant	23	39
Housing Planning Delivery Grant	62	-
Non Domestic Rates	4,357	4,747
Total	**5,447**	**5,476**

	2009/10	2010/11
	£000	**£000**
Credited to Services		
New Burdens Habitat Directive Grant	8	8
Local Authority Business Growth Incentive	33	-
Register of Electors - On-line Grant	1	-
Business Rates Deferral Scheme	12	8
Grants for New Burdens - Local Development Framework	9	-
Homeless Grant	41	41
Mortgage Rescue Programme	29	-
Concessionary Fares	84	87
West Midlands RIEP	-	20
Audit Commission – IFRS	-	7
Ministry of Justice	-	11
New Burdens – Revocation of Personnel Search Fees of the Local Land Charges Register	-	34
Food standards Agency – Scores on the doors	-	1
Environment Agency Grant – Fillongley Flood prevention	-	67
Lottery Funding for Local Nature Reserve	-	3
Contaminated Land Grant	42	-
Funding for Space to Play	6	-
Leader Project Grant	2	135
Atherstone Shop Fronts	226	51
Polesworth Better Welcome project	25	-
Coleshill Better Welcome project	25	-
Stronger and Safer Communities funding	83	53
Narrowing the Gap Local Area Agreement	103	-
Branching Out Bus Grant	118	119
Health and Wellbeing Challenge Fund	12	50
North Arden Trail Grant funding	156	115
More Time to Play grant	28	15
Sports Club Development Officer Grant	25	13
Energy Grant	81	-
Benefits Grant	23	6
Benefits Administration Grant	457	443
Planning Delivery Grant	20	-
Regional Housing Pot funding	120	114
Homeless Directorate Prevention Fund	6	-
Business Resource Efficiency and Waste Grant	20	-
Grant towards Free Swimming	59	19
Council Tax and Rent Allowances Subsidy	11,262	12,177
National Non Domestic Rates Administration Grant	115	111
Housing Rent Rebates	5,109	5,086
Total	**18,340**	**18,794**

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

31 March 2010 £		**31 March 2011 £**
	Capital Grants Receipts in Advance	
946,088	New Build Grant HRA - balance	293,351
95,489	Play builder Grant – Play Area equipment renewal	6,106
1,041,577	**Total**	**299,457**

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 Authority.

Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework, within which we operate, provides a significant proportion of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (egg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 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 2010/11 is shown in Note 31.

Payments of £2,540,940 were made to Warwickshire County Council, with income received from that organisation amounting to £477,572. There were 7 Borough Councillors who were also County Councillors in 2010/11. The majority of the payments relate to payments to the Superannuation Fund (£1,564,574). Other payments relate to land charges, Trade Refuse disposal charges, concessionary fares, the sports centre at Polesworth, which is a dual use facility, Birch Coppice section 106 contributions and grant payments relating to the Warwickshire On-line Partnership. Income is received for School Swimming lessons, grass cutting work, from recycling activities and the reimbursement of the costs for the purchase of a refuse freighter.

There were 2 Borough Councillors who were also on Atherstone Town Council in 2010/11. Income of £46,048 was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, a contribution towards the North Arden Heritage Trail and for some grounds maintenance work

Payments of £333 were made to Coleshill Town Council, with income received from that organisation amounting to £31,204. There was 1 Borough Councillor who was also on Coleshill Town Council in 2010/11. Expenditure relates to a contribution made to the Town Council towards a Skate Park in Coleshill. The Town Council awarded a contract to the Borough Council for ground maintenance work in Coleshill.

A payment of £99,749 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.

In all instances, the Members recorded an interest in the Register of Members Interest, which is open to public inspection at the Council Offices during office hours.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with resources that have been used to finance it.

Capital Expenditure and Financing		
	2009/10 £ 000	**2010/11 £ 000**
Capital Investment		
Property, Plant and Equipment	7,256	3,889
Intangible Assets	183	29
Revenue Expenditure Funded from Capital Under Statute	478	639
Total Expenditure	**7,917**	**4,557**
Sources of Finance		
Capital receipts	(930)	(257)
Supported borrowing	(229)	(400)
Government grants and other contributions	(722)	(1,666)
Revenue Contribution to Capital	(192)	(192)
Earmarked Capital Reserve	(446)	(148)
Major Repairs Reserve	(1,559)	(675)
Capital creditors	(130)	(295)
Prudential Borrowing	(3,709)	(924)
Total Financing	**(7,917)**	**(4,557)**

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

	2009/10 £ 000	2010/11 £ 000
Long Term Assets	156,742	128,888
Deferred Premium	117	89
Revaluation Reserve	(5,531)	(5,281)
Capital Adjustment Account	(141,960)	(112,551)
Capital Financing Requirement	**9,368**	**11,145**

37. Leases

Authority as Lessee

Finance Leases

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

31 March 2010		**31 March 2011**
£000		**£000**
124	Property, Plant, and Equipment	191

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

31 March 2010		**31 March 2011**
£000		**£000**
	Finance lease liabilities (net present value of minimum lease payments):	
89	• Current	136
6	• Non current	8
29	Finance costs payable in future years	47
124	Minimum lease payments	191

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

	Minimum lease payments		Finance lease payments	
	31 March 2010 **£000**	31 March 2011 **£000**	31 March 2010 **£000**	31 March 2011 **£000**
Not later than one year	7	11	10	16
Later than one year and not later than five years	30	41	37	56
Later than five years	87	139	71	111
Total	**124**	**191**	**118**	**183**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11, no contingent rents were payable by the Authority (none in 2009/10).

Operating Leases

We use operating leases as a way of financing some vehicles and equipment. The plant and vehicle leases relate to staff cars, commercial vehicles, mowers and photocopiers, most of which the authority uses to deliver various services to the public.

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

31 March 2010		31 March 2011
£000		**£000**
40	Not later than one year	31
627	Later than one year and not later than five years	707
300	Later than five years	32
967	**Total**	**770**

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

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

31 March 2010		31 March 2011
£000		**£000**
101	Minimum lease payments	101
(58)	Contingent rents	(39)
	(Sublease payments receivable)	
43	**Total**	**62**

Authority as Lessor

Finance Leases

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

Operating Leases

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

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

31 March 2010		31 March 2011
£000		**£000**
225	Not later than one year	225
13	Later than one year and not later than five years	13
150	Later than five years	152
388	**Total**	**390**

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 2010/11 £95,395 contingent rents were receivable by the Authority (2009/10 £106,279).

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 11 and 13 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

During 2010/11, the Authority has recognised an impairment loss of £27.74 million in relation to the council housing stock. Communities and Local Government guidance, issued in January 2011, outlined an update in the Existing Use Value of which the authority values its assets. This guidance states that Council Houses are to be valued at 34% of the market value rather than 49%, a fall of 15%. In addition to this the 21 new houses that were built during the year at a cost of £1.56 million were subsequently revalued to £1.18 million.

Other impairments that took place within the year relate to the de-recognition of the building sites which were converted into the new houses at a cost of £0.49 million. A number of the authority's Community Centres have also been impaired by total of £0.14 million. There were also reductions in the market value of the industrial units at Innage Park, Carlyon Road and Pavilions at Holly lane totalling £0.264 million due to current economic conditions.

39. Termination Benefits

The Authority terminated the contracts of two employees in 2010/11, incurring liabilities of £2,646.64 (£12,891.37 in 2009/10). One payment was made to a member of leisure staff who was made redundant as part of the Authority's rationalisation of the crèche facility offered at Atherstone Leisure Complex. The other payment was made to a member of the Animal Control Section.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

We participate in the Local Government Pension scheme, administered locally by Warwickshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

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

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	2009/10 £000	**2010/11 £000**
Comprehensive Income and Expenditure Statement *Cost of Services* • Current service cost • *Past Service Cost and Curtailments (see note 5)* *Financing and Investment Income and Expenditure* • Interest cost • Expected return on scheme assets	 (854) - (3,305) 2,094	 (1,319 3,750 (3,594) 2,507
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(2,065)	1,344
Other post employment Benefit Charged to the Comprehensive Income and Expenditure Statement • Actuarial gains and losses	 7,253	 (6,265)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Movement in Reserves Statement • Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	2,065	(1,344)
Actual amount charged against the General Fund Balance for pensions in the year: • Employers contributions payable to scheme	 1,189	 1,236
Retirement benefits payable to pensioners	(2,622)	(1,906)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £16,017,000.

<u>Assets and Liabilities in Relation to Post-employment Benefits</u>

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

	Funded Liabilities	
	2009/10 £000	**2010/11 £000**
Opening balance at 1 April	**47,198**	**64,243**
Current service cost	854	1,319
Interest Cost	3,305	3,594
Contributions by scheme participants	475	463
Actuarial (gains) and losses	15,033	(4,262)
Benefits paid	(2,622)	(1,906)
Past service costs	-	(3,752)
Curtailments	-	2
Closing balance at 31 March	**64,243**	**59,701**

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

	Funded Assets	
	2009/10 £000	**2010/11 £000**
Opening balance at 1 April	**30,930**	**39,846**
Expected rate of return *	2,094	2,301
Actuarial gains and (losses)	7,780	2,003
Contributions by scheme participants	475	463
Employer contributions	1,189	1,236
Benefits/transfers paid	(2,622)	(1,906)
Closing balance at 31 March	**39,846**	**43,943**

* The expected rate of return received from the actuary for 2010/11 was reduced by £206,000 as this had already been accounted for in 2009/10..

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 £2.918 million (£10.269 million in 2009/10).

Scheme History

	31 March 2007 £000	**31 March 2008 £000**	**31 March 2009 £000**	**31 March 2010 £000**	**31 March 2011 £000**
Present value of liabilities in scheme	(49,526)	(55,217)	(47,198)	(64,243)	(59,701)
Fair value of assets in scheme	38,239	38,360	30,930	39,846	43,943
Surplus / (Deficit) in the scheme	**(11,287)**	**(16,857)**	**(16,268)**	**(24,397)**	**(15,758)**

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £15.758 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. This deficit would impact upon our reserves only if it all fell due at the same time. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy – the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

In 2010/11 the Council actually paid an employer's contribution of £1,083,874 representing 15.83% (14.3% in 2009/10) of participating employees' pensionable pay into Warwickshire County Council's Superannuation Fund, which provides members with defined benefits related to pay and service. In addition, the Council also paid £10,561 for those Members who have joined the scheme. In addition, the Council is responsible for all pension payments relating to added years benefit it has awarded together with the related increases. In 2010/11 these amounted to £142,411 representing 2.08% of pensionable pay (in 2009/10 the Council made payments totalling £144,584 representing 2.01% of pensionable pay). In 2011/12 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,267,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels and so on. The liabilities of the Warwickshire County Council Fund have been assessed by Mercer Limited, 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 2010. These figures do not include any limits imposed by IFRIC interpretation 14 IAS 19.

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

	2009/10	**2009/10**	**2010/11**	**2010/11**
	Beginning of period	**End of Period**	**Beginning of period**	**End of Period**
Long term expected rate of return on assets in the scheme				
Equity investments	7.5%	7.5%	7.5%	7.5%
Government Bonds	4.0%	4.5%	4.5%	4.4%
Other Bonds	6.0%	5.2%	5.2%	5.1%
Property	6.5%	6.5%	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%	0.5%	0.5%
Other	7.5%	7.5%	7.5%	7.5%
Expenses Deducted (p.a.)	0.41%	0.41%	0.41%	0.41%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.2	21.2	21.2	22.0
Women	24.0	24.1	24.1	23.7
Longevity at 65 for future pensioners:				
Men	22.2	22.2	22.2	22.9
Women	25.0	25.0	25.0	26.0
Rate of Inflation	3.3%	3.3%	3.3%	3.4%
Rate of Increase in salaries	5.05%	5.05%	5.05%	4.9%
Rate of increase in pensions	3.3%	3.3%	3.3%	2.9%
Rate of discounting scheme liabilities	7.1%	5.6%	5.6%	5.5%
Take up option to convert annual pension into retirement lump sum	50%	50%	50%	50%

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

	2009/10	**2009/10**	**2010/11**	**2010/11**
	Beginning of period	**End of Period**	**Beginning of period**	**End of Period**
Equity Investments	63.0%	67.0%	67.0%	66.0%
Government Bonds	10.0%	9.0%	9.0%	5.0%
Other Bonds	15.0%	13.0%	13.0%	13.0%
Property	5.0%	4.0%	4.0%	10.0%
Cash/Liquidity	2.0%	2.0%	2.0%	1.0%
Other	5.0%	5.0%	5.0%	5.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	31 March 2007 £000	31 March 2008 £000	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Differences between the expected and actual return on assets	(0.8%)	(8.3%)	(32.8%)	19.51%	4.6%
Experience gains and losses on liabilities	-	0.6%	-	-	6.5%

41 Contingent Liabilities

The Government is changing council housing finance from April 2012. In order to end the present subsidy / negative subsidy system, authorities will either pay a one off capital sum to the Government, or have their borrowing reduced by a given amount. We are currently in negative subsidy and have to make an annual payment to the Government. This means that before the new 'self financing' system comes into effect in April 2012, we will have to pay a one off capital sum to the Government. The amount of the payment is not yet known, but the indicative figure we have been given is £64 million.

42. Contingent Assets

The Authority has a contingent asset of £338,312 relating to the balance of funding we expect towards the 4 properties outstanding in our new build housing scheme. This amount is not reflected in the Income and Expenditure Statement or Balance Sheet.

43. Nature and Extent of Risks arising from Financial Instruments

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The council complies with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management on Public Services and Investment Guidance issued through the Local Government Act 2003. Risk is managed in the following ways:

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

for both investing and selecting investment counterparties in compliance with the Government guidance.

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

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

- *Credit Risk*

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

This risk is managed through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Credit Rating Services. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

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

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

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

The Authority's maximum exposure to credit risk in relation to investments in banks and building societies of £2 million cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the historical principal will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 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 £179,307 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010 £	31 March 2011 £

Less than three months	78,548	94,319
Between three and six months	17,171	14,604
Between six months and one year	4,783	56,399
More than one year	11,193	13,985
TOTAL	**111,695**	**179,307**

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 2011 was £33,115.

- *Liquidity Risk*

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

Instead the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods.

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

We currently have no long term external borrowing, as we have chosen to make use of the reserves we hold, and finance borrowing internally. Instead the risk is that the authority will be required to take out a significant proportion of its borrowings at a time of unfavourable interest rates. To reduce the risk, we have set limits on the proportion of fixed rate borrowing during specified periods.

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 2011 were held with banks and building societies. At 31 March 2011 the Council had short-term investments of £5.079 million.

	31.03.10 **£000**	**31.3.11** **£000**	**Change in year** **£000**
Short Term Investments	3,540	5,079	1,539
Total	**3,540**	**5,079**	**1,539**

- *Market Risk*

Interest Rate Risk

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

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

- Investments at fixed rates – the fair value of the assets will fall.

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

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum % of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

As already mentioned, we currently have no long term external borrowing, as we have chosen to make use of the reserves we hold, and finance borrowing internally. Therefore, market rates are simply being monitored at the moment, ready for when the Council needs to borrow in the future.

North Warwickshire Borough Council

Housing Revenue Account Income and Expenditure Statement

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

Actual 2009/10 £000	Actual 2009/10 £000		Actual 2010/11 £000	Actual 20010/11 £000	Note
		EXPENDITURE			
2,278		Repairs and Maintenance	2,032		5
		Supervision and Management			
976		- General	816		
366		- Special Services	300		
-		Rents, Rates, Taxes and Other Charges	7		
3,178		Payment to Communities & Local Govt	3,382		10
14		Allowance for Bad Debts	32		12
(873)		Depreciation and Impairment	30,166		8 & 9
	5,939	**TOTAL EXPENDITURE**		36,735	
		INCOME			
(8,760)		Gross Rent Income from Dwellings	(8,932)		13
(322)		Rent Income from non-dwellings	(311)		
(79)		Charges for Services and Facilities	(136)		
(67)		Grant for New Build	(1,028)		
	(9,228)	**TOTAL INCOME**		(10,407)	
	(3,289)	**Net Cost of HRA Service as included in the Comprehensive Income and Expenditure Statement**		**26,328**	
	30	HRA service share of Corporate and Democratic Core		32	
	(3,259)	**Net Income for HRA Services**		**26,360**	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	691	(Gain) or loss on sale of HRA non-current assets		59	
	-	Interest payable and similar charges		14	
	(22)	Interest and Investment Income		(36)	15
		Surplus or Deficit on Revaluation of Property, Plant and Equipment		(38)	
	(2,590)	**(Surplus) or Deficit for the year on HRA Services**		**26,359**	

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.

2009/10 £000		2010/11 £000
(517)	**Balance on the HRA at the end of the previous year**	**(670)**
(2,590)	(Surplus)/ deficit for the year on the HRA Income and Expenditure Statement	26,359
2,405	Adjustments between accounting basis and funding basis under statute	(26,424)
(185)	**Net (Increase) or decrease before transfers to or from reserves**	**(65)**
32	Transfers to or (from) reserves	(115)
(153)	**(Increase) of decrease in year on the HRA**	**(180)**
(670)	**Balance on the HRA at the end of the current year**	**(850)**

Adjustments between accounting basis and funding basis under statute:

2009/10 £000		2010/11 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
2,859	Reversal of Impairment losses	(28,569)	9
(691)	Gain or (Loss) on sale of HRA Property, Plant and Equipment	(59)	
30	Net charges made for retirement benefits in accordance with IAS 26	830	11
18	Reduction/(Increase) in accrual for employee benefits	(6)	
67	Reversal of grant for new build	1,028	
2,283	**Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year**	**(26,776)**	
28	Amortised Premiums and Discounts	30	14
	Transfer to/(from) Capital Adjustment Account	30	15
(271)	Transfer to/(from) Major Repairs Reserve	172	4
365	Capital expenditure funded by the HRA	120	6
2,405	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year**	**(26,424)**	

Transfers to or from reserves

2009/10 £000		2010/11 £000	Note
32	Transfer to/(from) the Housing Repairs Reserve	(65)	5

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2011

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 2,732.5 dwellings during 2010/11, consisting of the following:

2009/10		2010/11
1,467	Houses	1,478
673	Flats	674
582	Bungalows	591
2,722	**Total at 31 March 2011**	**2,743**
	The change in stock was as follows: -	
2,760	Stock at 1st April	2,722
(37)	less Sales	(1)
(1)	Conversions	-
-	Repurchase	1
-	New Build	21
2,722	**Stock at 31 March 2011**	**2,743**

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £109.591 million as at 31 March 2011. 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 2010 £000	Asset Type	Balance as at 31 March 2011 £000
46,313	Land	34,867
87,708	Council Dwellings	70,941
2	Plant and Vehicles	1
3,337	Other Property	3,782
137,360	**Total**	**109,591**
87,708	Operational Assets – Dwellings	70,941
43,997	- Land	33,630
3,249	- Other Buildings	3,419
2	- Plant and Vehicles	1
2,404	Non-operational Assets	1,600
137,360	**Total**	**109,591**

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 £292.71 million. This is different to the gross book value of the assets included within the balance sheet of £104.28 million, which is based upon the continuing use of housing for social use. The difference between the two amounts is the economic cost of providing council housing at less than open market value.

4. Major Repairs Reserve

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

2009/10 £000		2010/11 £000's
(17)	Balance as at 1 April	(1)
(1,986)	Transfer into Reserve – Depreciation	(1,559)
271	Transfer into Reserve – Appropriation	(172)
1,731	To finance Capital Expenditure– Houses	675
(1)	**Balance as at 31 March**	**(1,057)**

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:

2009/10 £000		2010/11 £000
145	Balance brought forward	176
2,309	Contributions from HRA	2,466
(2,278)	Use of Fund	(2,531)
176	**Balance as at 31 March**	**111**

6. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2010/11, spent £3,230,227. This expenditure was all used to fund work on council houses and the new house building project of £3,075,606 and community centres of £154,671. Capital spending during the year has been paid for from a number of sources and these are shown below :-

Source of Funding	£'000
Supported Borrowing	400
Major Repairs Reserve	675
Revenue contributions to capital expenditure	120
Grants and Contributions	1,028
Prudential Borrowing	924
Capital Creditors	83
Total	**3,230**

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 2010/11 capital income of £64,000 was received from the sale of a council house, £50,000 from the sale of 12 Meadow Street Atherstone and £520,984 from the sale of land at Rectory Road Arley to Lovells and Midland Heart Housing Association.

8. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2010/11 the amount of depreciation charged is as follows.

	Operational assets £000
Council Dwellings	1,481
Other Property	78
Total	**1,559**

9. Impairment charges

During the year the Value of the housing stock had to be reduced from 49% to 34% of the full market value. The impact of this is a reduction in the value of the housing stock of £28.22 million including the 21 properties that were built during the year. There has also been a reduction of £0.49 million in the valuation of building sites which have now been converted into new houses and a reduction of £0.14 million in the valuation of Community Centres.

10. Housing Revenue Account Subsidy/Payment to the CLG

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

The calculation for the model is shown below:

2009/10 £000		**2010/11 £000**
3,904	Management & Maintenance	4,027
1,715	Major Repairs Allowance	1,732
94	Loan Charges	89
(8,887)	Rent Income	(9,226)
(1)	Other Income	-
(3,175)	**Subsidy Receivable/(Payment to the CLG)**	**(3,378)**

nb. The figures shown in the HRA for 2010/11 (pages 4 & 57), included adjustments relating to prior years, as well as payments relating to the year. The figures above relate to the year specified only.

11. Pensions

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

It is our view, pending the receipt of any new guidance, that as the entries on the HRA are defined by statute, there should be no effect on the overall financial position of the HRA. However as IAS 26 requires that all services show the Current Service Cost of the benefits earned by its employees in the year, the Housing Revenue Account has been charged with an amount of £829,895 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

12. Rent Arrears

At 31 March 2011 the total rent in arrears was £122,136, which represents 1.36% of collectable rent income (1.84% in 2009/10). The rent arrears figures are detailed below: -

2009/10 £000		2010/11 £000
	Arrears at 31st March: -	
86	Present Tenants	74
75	Former Tenants	48
161	**TOTAL ARREARS**	**122**

The allowance for bad debts at 31 March 2011 was £70,544 (£100,316 at 31 March 2010). Amounts totalling £38,354 were written off during the year (£3,342 in 2009/10).

13. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 0.72% of lettable properties were vacant (0.66% in 2009/10). Average rents were £68.83 a week in 2010/11 (excluding service charges) on a 48 week basis, an increase of £1.45 or 2.16% over the previous year.

14. Charges for Borrowing

In accordance with the Local Government and Housing Act 1989, the Housing Revenue Account pays interest charges on its outstanding debt based on average external rates of interest paid by the Council as a whole. The HRA paid interest charges of £14,085.84.

Our external debt covers both General Fund and HRA activities, and a notional split is made to reflect this. Over the years we have either rescheduled existing debt, or repaid debt, earlier than the due date. The HRA is liable to pay a proportion of any premium that relates to this, over what would have been the life of the original loans. The HRA paid £30,389.71 towards outstanding premiums in 2010/11, and received discounts of £505.02. This leaves outstanding premiums of £88,535.66 to be paid in future years, with discounts of £1,513.67 due to be received in future years. This balance is reflected on the balance sheet as part of the Financial Instruments Adjustment Account.

15. Investment Income

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

Revaluation of Shops classed as investment properties during the year showed an increase in the property valuations of £30,500, which is included in the Interest and Investment income. This will not be realised unless the properties are sold, so it is reversed out in the adjustments between accounting basis and funding basis under statue In order to arrive at the Housing Revenue Account balance at the end of the year.

North Warwickshire Borough Council
The Collection Fund - Income & Expenditure Statement for the Year Ended 31 March 2011

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

2009/10 £000		2010/11 £000	2010/11 £000
	INCOME		
	Income from Council Tax		
28,523	(net of benefits and transitional relief)	29,405	
	Transfers from the General Fund		
4,577	Council Tax Benefits	4,651	
(2)	Transitional Relief	(1)	34,055
33,098			
38,638	Income Collectable from Business Ratepayers		32,658
71,736			**66,713**
	EXPENDITURE		
	Precepts and Demands :-		
23,885	Warwickshire County Council	24,511	
3,625	Warwickshire Police Authority	3,694	
5,191	North Warwickshire Borough	5,331	33,536
32,701			
	Distribution of Surpluses :-		
184	Warwickshire County Council	244	
28	Warwickshire Police Authority	37	
40	North Warwickshire Borough	53	334
252			
	Business Rate :-		
38,523	Payment to National Pool	32,547	
115	Cost of collection	111	32,658
38,638			
	Bad and doubtful debts/appeals :-		
63	Arrears Written Off		54
11	Provision for un-collectable amounts		35
71	Increase/(Decrease) in Fund Balance		96
71,736			**66,713**
350	Balance at 1 April		421
71	**SURPLUS/(DEFICIT) FOR THE YEAR**		**96**
421	**Balance at 31 March 2011**		**517**

Precepts and Demands on the Collection Fund

2009/10 Total	Authority	Precept /Demand	Share of 31 March 2011 Surplus	2010/11 Total
£000		£000	£000	£000
24,192	Warwickshire County Council	24,511	377	24,888
3,672	Warwickshire Police Authority	3,694	57	3,751
5,258	North Warwickshire Borough Council	5,331	83	5,414
33,122	**Total**	**33,536**	**517**	**34,053**

Notes to the Collection Fund for the year ended 31 March 2011

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 2010/11 the base was calculated as follows: -

Band	Estimated No. of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	5,365.50	6/9	3,575.08
B	6,040.50	7/9	4,698.17
C	5,239.50	8/9	4,657.33
D	3,404.75	9/9	3,404.75
E	1,996.50	11/9	2,440.17
F	1,094.75	13/9	1,581.31
G	635.50	15/9	1,059.17
H	62.00	18/9	124.00
			21,539.98
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			(323.06)
COUNCIL TAX BASE 2010/11			21,216.92

On the basis of an average £1,538.74 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £32.647 million (£1,538.74 x 21,216.92). The actual income received, including benefits, was higher than the estimated due to changes in individual circumstances.

2. Income from Business Rates

We collect business rates for the North Warwickshire area, which are based on local rateable values multiplied by a national non-domestic rate specified by the Government. The money collected is paid into a Non-Domestic Rate Pool managed by Central Government. The money is then re-distributed to local authorities based upon a standard amount per head of the local adult population.

The rates to be collected can change during the year as the circumstances of individual businesses alter. Unless significant, all changes which occurred after 16 March 2011 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 £256,625 after the 16 March 2011, due to changes to the valuations of properties, which will be included within the 2011/12 accounts.

The total non-domestic rateable value at the year-end was £98,623,475 (£90,591,860 in 2009/010). The national non-domestic rate for small businesses was 40.7 pence (48.1 pence in 2009/10) and the rate for other businesses was 41.4 pence (48.5 pence in 2009/10).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require 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 2010/11 and the Best Value Accounting code of Practice 2010/11, supported by International Financial Reporting standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

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

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

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

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 & Cash equivalents

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

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

4. Charges to Revenue for Non-Current Assets

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

- Depreciation of the asset
- Revaluation and impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which losses can be written off
- Amortisation of intangible fixed 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.

Depreciation, revaluation and impairment losses and amortisations are replaced by the 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, so that Council Tax is unaffected.

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 the cost of our borrowing requirement which is known as the Minimum Revenue Provision. The provision is calculated in accordance with statutory guidance, and the amount we have set aside for the repayment of borrowing for General Fund services is based on a minimum figure of 4% of the borrowing requirement at the beginning of the financial year. We could also choose to set aside additional amounts for repaying debt but have not done so in 2010/11.

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

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

5. Employee Benefits

<u>Benefits Payable during Employment</u>
Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave,

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or, another officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer, or groups of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

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

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

- The liabilities of the Warwickshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices using a discount rate of 5.5% 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 Authority are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value.
- The change in the net pension liability is analysed into seven components:

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

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

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

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

6. Events after the Balance Sheet date

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

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

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

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

7. Exceptional items

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

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

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

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

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

9. Financial Instruments

Financial Liabilities

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

For all of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Current borrowing is all of a temporary nature.

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

Financial Assets

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

The Council has made a number of loans to Parish councils/voluntary organisations at less than market rates (soft loans). When soft loans are made a loss should be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument resulting in a lower amortised cost than the outstanding principal. Interest should be credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the Parish Council/Voluntary Organisation with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance should be the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund should be managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement. However, the Council had only one loan outstanding at April 2010, which was repaid during the year. Given the immateriality of the amounts involved, these transactions were not carried out.

10. Government Grants and Other Contributions

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

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

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

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance sheet as 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.

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

11. Intangible Assets

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

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

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

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

12. Inventories and Long term Contracts

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

13. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

14. Leases

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

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

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

The Authority as a Lessee

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

Lease payments are apportioned between:

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

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

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

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

<u>The Authority as a Lessor</u>

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

15. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

16. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- **Infrastructure assets, community assets and assets under construction** - depreciated historical cost. Where this is not known for community assets, a nominal value of £1 has been included. Community assets are not depreciated as they relate to land.

- **Council dwellings** – fair value, determined using the basis of existing use value for social housing (EUV – SH). The ‘Beacon’ method has been used whereby “typical” properties are valued and the remaining similar houses in the area are assessed based on this beacon.

- **All other assets** – fair value, determined as the amount that would be paid for the asset in its existing use (existing use – EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

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

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

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

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

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

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

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

18. Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in note 23 to the financial statements.

19. Revenue Expenditure Funded from Capital under Statute

Statutory provisions allow us to spend capital funds on assets that are not owned by this Council, such as grants for private sector housing. The expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year it is incurred. 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.

Subject to change

INDEPENDENT AUDITORS' REPORT TO NORTH WARWICKSHIRE BOROUGH COUNCIL

Glossary of Terms

ACCRUALS	Income and expenditure that is recognised as it is earned or incurred rather than as the money is actually received or paid.
ACTUARIAL GAIN	For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains and losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.
AMORTISATION	The drop in value of intangible assets as they become out of date.
ASSET	An item, which is intended to be used for several years such as a building or a vehicle.
BUDGET	A statement of an authority's plans for expenditure over a specified period of time.
BUSINESS RATES (Non-domestic rates – NDR)	Businesses pay these rates instead of council tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority in that area. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area.
CAPITAL CHARGES	A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
CAPITAL EXPENDITURE	Expenditure on fixed assets (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	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.

CREDITORS	Amounts owed by the authority for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.
CURRENT ASSETS	Short-term assets, which constantly change in value such as stocks, 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.
DEBTORS	Sums of money due to the authority but unpaid at the date of the balance sheet.
DEFERRED CAPITAL RECEIPTS	Income, which the Council is due to receive in future years from Council houses, which have been sold under a mortgage.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Spending on assets that have a lasting value, such as buildings, which we do not own.
GOVERNMENT GRANTS	Payments made by the government towards the cost of local authority services. These are either for particular services or purposes (specific grants) or to fund local services generally (revenue support and area based grant).
GROSS EXPENDITURE	The cost of providing the Council's services before allowing for Government grants or other income.
HOUSING BENEFITS	A system of financial assistance towards certain housing costs, e.g., Rent Rebates, which are administered by the local authority.
HOUSING REVENUE ACCOUNT (HRA)	The account, which shows all the income and expenditure incurred in the management and maintenance of the Council's housing stock.
IMPAIRMENT	This is a reduction in an asset value due to physical damage, obsolescence or a decline in its market value.
INFRASTRUCTURE ASSETS	These are inalienable assets, expenditure which is recoverable only by continued use of the asset created (e.g. street lighting, tidy bins, and footpaths).
INTANGIBLE ASSETS	Spending on assets, this cannot be physically seen, such as computer software.
MINIMUM REVENUE PROVISION (MRP)	The amount that we have to set aside each year to repay loans.
NET EXPENDITURE	This is the cost of providing a service after the deduction of specific government grants and other income, excluding Revenue Support Grant and Precept income.
NDR	Non Domestic Rates.

NON-OPERATIONAL ASSETS	These are assets that are not directly occupied, used or consumed in the provision of service by the Council (e.g. Land awaiting development, industrial units, and shops).
OPERATIONAL ASSETS	These are assets held, occupied, used or consumed by the Council in the direct provision of the services for which it is responsible (e.g. Council Dwellings, Leisure Centres and Council Offices)
PRECEPT	The amount each authority in the area asks us to collect from council tax on their behalf each year.
REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE	The financing of capital expenditure directly from revenue.
REVENUE EXPENDITURE	Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice.
TEMPORARY LOANS	Money borrowed for an initial period of less than one year.
TRADING ACTIVITIES	This refers to services operated by the Council that operate in a contractor role with the Council. Primarily relating to those services formerly subject to Compulsory Competitive Tendering, it also includes part of the Council's Building Control Service.
UK GAAP	UK Generally Accepted Accounting Practice

NORTH WARWICKSHIRE BOROUGH COUNCIL

Annual Governance Statement

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

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is available on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risks at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

The governance framework

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

The Corporate Plan is approved before the start of each year and identifies the headline targets for the coming year, which are supported by greater detail within individual service plans. During the year progress against these targets is collected and reported to both senior managers and to service boards, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and is also published on the Council's website. The Council also has comprehensive forecasting and budgeting procedures. Periodic and annual review of financial reports, indicate financial performance against forecasts for all of the Council's spending. Summary information is also published.

As well as monitoring achievement of identified outcomes, the Council wants to ensure that an acceptable quality of service is provided. It ensures this in a number of ways; obtaining user feedback, through independent inspection and audit and through Value for Money reviews. However this does not prevent the Council from looking for efficiencies on an ongoing basis and these have been demonstrated through the efficiency returns required by the government.

The Council ensures that it is operating efficiently by specifying the different roles and responsibilities of both Councillors and Officers. The remit of each decision making Board is set down in the constitution, along with the roles of individual Councillors. The Council does not have an Audit Committee, but instead divides the core functions between the Executive Board and the Resources Board. The constitution also outlines the responsibilities of senior officers, and areas where they have been given delegated powers. Employee contracts include job descriptions, and these give the detail of individual roles, for all employees. The Council uses an appraisal system to set specific targets for individual staff on an annual basis. These targets reflect their Division's targets in the Corporate Plan and the Divisional Service Plan and are subject to a six monthly review. A more cost effective service is provided by appropriately trained staff and the appraisal system is also used to assess the training and development needs of individual employees, and ensure that they have the skills and abilities to carry out the tasks required. Where a shortfall is identified, this is addressed through the annual training plan. The Council uses a workforce plan to plan more rigorously for future staffing requirements. This projects future service needs and the workforce that would be needed for their delivery. The plan was updated during 2010/11.

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

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

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 were this is beneficial. Risk management is led by the Deputy Chief Executive, and uses a cross divisional group to promote and co-ordinate risk management across the Council. Members have been involved in identifying the main risks the Council faces. The system also involves an annual review of risks in their areas by senior managers, with some checking carried out throughout the year by the Internal Audit section.

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

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

Review of effectiveness

North Warwickshire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of its effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, work carried out by Internal Audit, and also by comments made by the external auditors and other review agencies and inspectorates. Data obtained from Experion, feedback received through Gov Metric and the results of user surveys are also used to assess the effectiveness of the Councils governance arrangements.

To ensure that the governance framework remains effective, senior officers and Members have reviewed individual elements of the framework. The use of Portfolio Groups has been reviewed, along with how they have worked in practice. As a result it has been recognised that different portfolios require varying levels of involvement and meeting frequencies. Members have also chosen to set up a Member advisory group to assist in the development of the Local Development Framework. In addition to the above, some other work has been undertaken by the Council’s statutory officers, leading to minor revision of the Financial Regulations, Contract Standing Orders, Risk Management Strategy and the Treasury Management Strategy.

Revised arrangements implemented for Scrutiny during 2009/10 have started to evolve. One Board instead of the two previously used, has reduced areas of overlap. The revised arrangements include the use of task and finish groups to look at a number of key issues, with reviews focusing on whether specified corporate plan targets are improving the experiences of Borough residents.

The work undertaken by Internal Audit have enabled the Audit Manager to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda. Progress has been made with the implementation of the Corporate Governance Action Plan approved last year, although some areas still require completion. The section continued to coordinate work under the National Fraud Initiative, ensuring that all areas are followed up. Specialist fraud consultants and external IT auditors have been used to supplement the work carried out by the section, enabling greater assurance to be placed on the results. CEAC, the fraud specialists, have also undertaken some specific pieces of work, to tighten the controls the Council already has in place.

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

Our review of the effectiveness of the system of internal financial control is informed by the work of managers within the Council, the work of the Internal Auditors and by our external auditors, PricewaterhouseCoopers LLP, in their annual audit letter and other reports. Executive Board consider the annual audit letter, which includes the external auditor's view on the Council's Value for Money arrangements.

Following a lot of progress made as a result of the Housing Inspectorate's inspection of the Council's housing service, the Council have continued to achieve further improvements. Systems reviews on individual parts of the housing service are being carried out on a rolling basis, with processes streamlined as a result. This has been reflected in the improved satisfaction ratings from tenants. Systems reviews have also been used by the Streetscape Division to improve performance in the refuse and recycling service.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Resources Board, Overview and Scrutiny Board, Chief Executive, Deputy Chief Executive, Assistant Chief Executive and Solicitor to the Council, Assistant Chief Executive (Community Services) Assistant Directors, Auditor Manager, PricewaterhouseCoopers LLP, CEAC, Housing Inspectors and Audit Commission, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

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

- Delivery of the financial targets within the financial strategy, and additional work undertaken to manage the impact of the economic downturn
- Continued implementation of the Risk Management Strategy
- A Health and Safety week, to promote the importance and management of health and safety issues
- Review of the Building Control partnership with Nuneaton and Bedworth Borough Council
- A review of the Treasury Management Policy, together with implementation of amendments to some procedures
- A fundamental review of response repairs for council housing, to assess the value for money of the service

Further actions will be taken in 2011/12, including:

- Continued review of Human Resources policies, with the provision of briefing sessions for staff and unions on new/revised policies
- The implementation of a computerised risk assessment system across the Council for Health and Safety risks
- Delivery of the financial targets within the financial strategy
- Further work on the business continuity plan and disaster recovery
- Review of the revised Overview and Scrutiny arrangements

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

Signed:……………………………………………………………………………………………….

Leader and Chief Executive

On behalf of North Warwickshire Borough Council