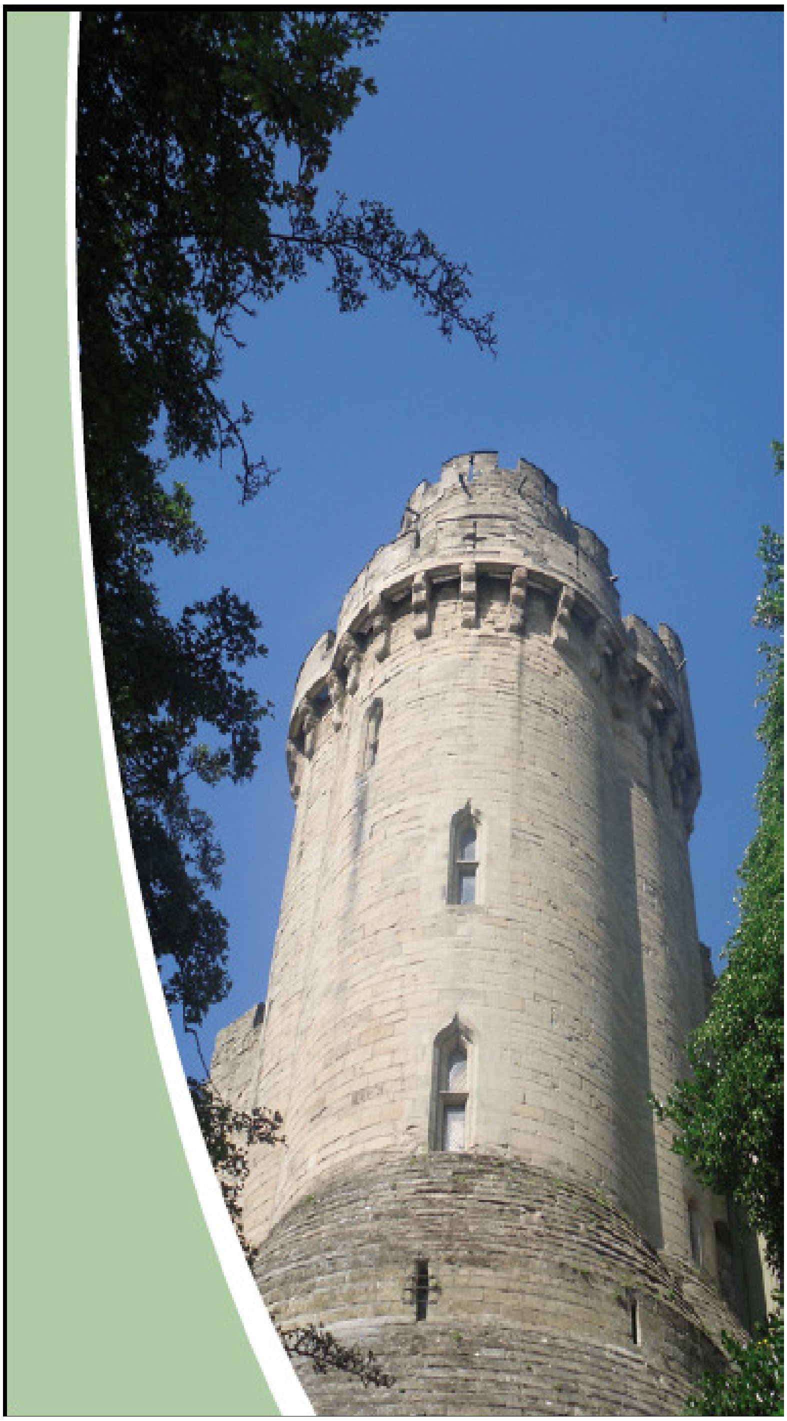
Warwickshire County Council



Statement of Accounts and Annual Governance Statement

2013/2014

Warwickshire County Council

Working for Warwickshire

We would welcome any comments or suggestions you have about this publication. Please contact Virginia Rennie, Corporate Finance and Advice, Resources Group, Warwickshire County Council.

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You can also leave your comments on our website at www.warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you. Please contact Navdip Sodhi on 01926 418174.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICKSHIRE COUNTY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Warwickshire County Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Warwickshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Warwickshire County Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Warwickshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We are required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of Warwickshire Pension Fund. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2014. As the authority has not yet prepared the Annual Report we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

The audit cannot be formally concluded and an audit certificate issued until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

John Gregory
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

25 September 2014

Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly, in line with the Accounts and Audit Regulations 2003.

Responsibilities of the Council

We do the following:

- Make sure that one of our officers is responsible for managing our financial affairs. In this council, the Head of Finance is responsible for this.
- Manage our affairs to make sure we use our resources efficiently and effectively and protect our assets.
- Approve the statement of accounts.

Responsibilities of the Head of Finance

As the Head of Finance, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing our statement of accounts, I have:

- Selected suitable accounting policies and applied them consistently;
- Made reasonable and prudent judgements and estimates; and
- Followed the Chartered Institute of Public Finance and Accountancy/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have also:

- Kept proper accounting records which are up to date; and
- Taken steps to prevent and detect fraud, including preparing an audit risk management strategy.

John Betts
Head of Finance **Date: 25 September 2014**

I confirm that the accounts were considered and approved at a meeting of the Council on 25 September 2014.

Councillor Brian Moss
Chair of the Council **Date: 25 September 2014**

Foreword by the Head of Finance

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

I am pleased to introduce our Financial Accounts for 2013/14. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year. This explanatory foreword is set out in two parts. The first provides some key information that summarises our financial performance in 2013/14. The second part provides information on how the Financial Accounts for 2013/14 are set out to help you navigate through what is at times a quite technical pack of information. This level of information is required to ensure we comply with proper accounting practices and meet strict reporting requirements laid out by International Financial Reporting Standards (IFRS).

Readers should note that the underspend reported against service budgets which we use internally to monitor our financial performance is not directly comparable to the deficit disclosed in the Statement of Accounts mainly due to the number of accounting adjustments required, which do not impact on the amount of our spending to be met by local taxpayers. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies or the glossary.

Public inspection

It is important that members of the public have the opportunity to provide comment and question our Statement of Accounts. Therefore the Statement of Accounts for 2013/14 was available for inspection from 30 June 2014 to 25 July 2014. The formal audit of our accounts began on 30 June 2014 and we received an unqualified opinion on the Statement of Accounts on 25 September 2014. This means that in the External Auditors' opinion our accounts give a true and fair view of the financial position of the County Council.

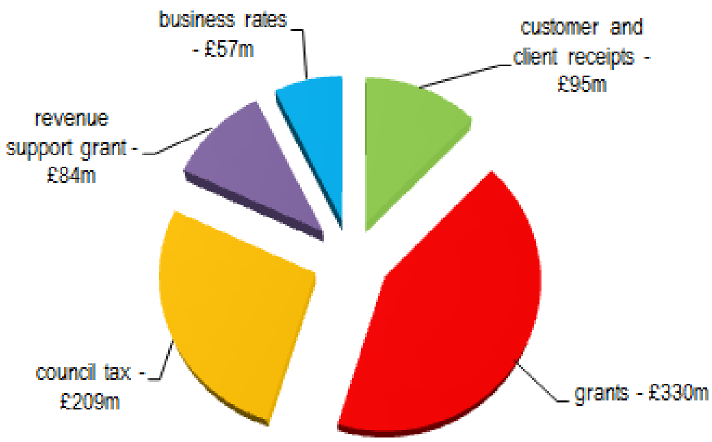
Capital and revenue spending

We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Our capital spending relates to items we have bought and which will be used for more than one year. An amount is charged to our revenue accounts each year to reflect a cost equivalent to the economic use of our assets in each year.

Revenue spending – what we have received and spent

This section provides a high level summary of the sources of income we have used in 2013/14 and sets out the ways in which this has been spent.

How we received our money
Our total income in 2013/14 was £775 million. £237 million was used by schools and the remaining £538 million was used to fund our services.

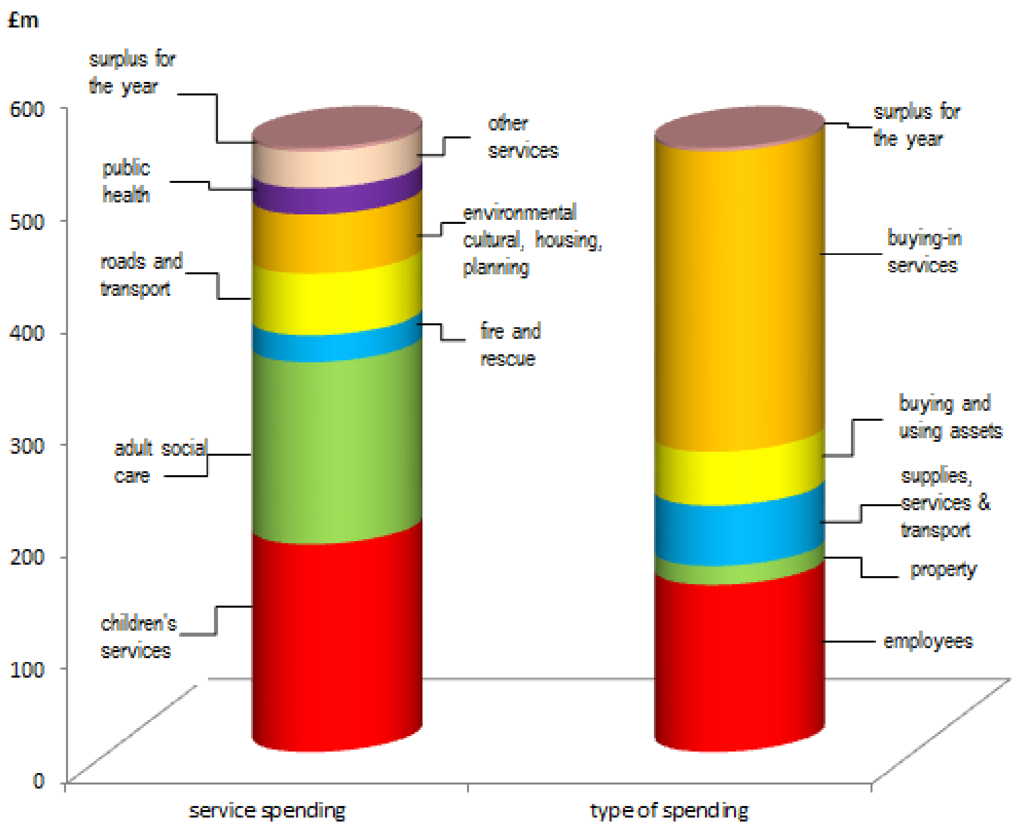


The main sources of revenue funding received in 2013/14 to support the net revenue budget of our services are shown in the chart of the left.

This funding is from council tax (27%) and our share of business rates 7%, with 54% from government grant and 12% from customer and client receipts.

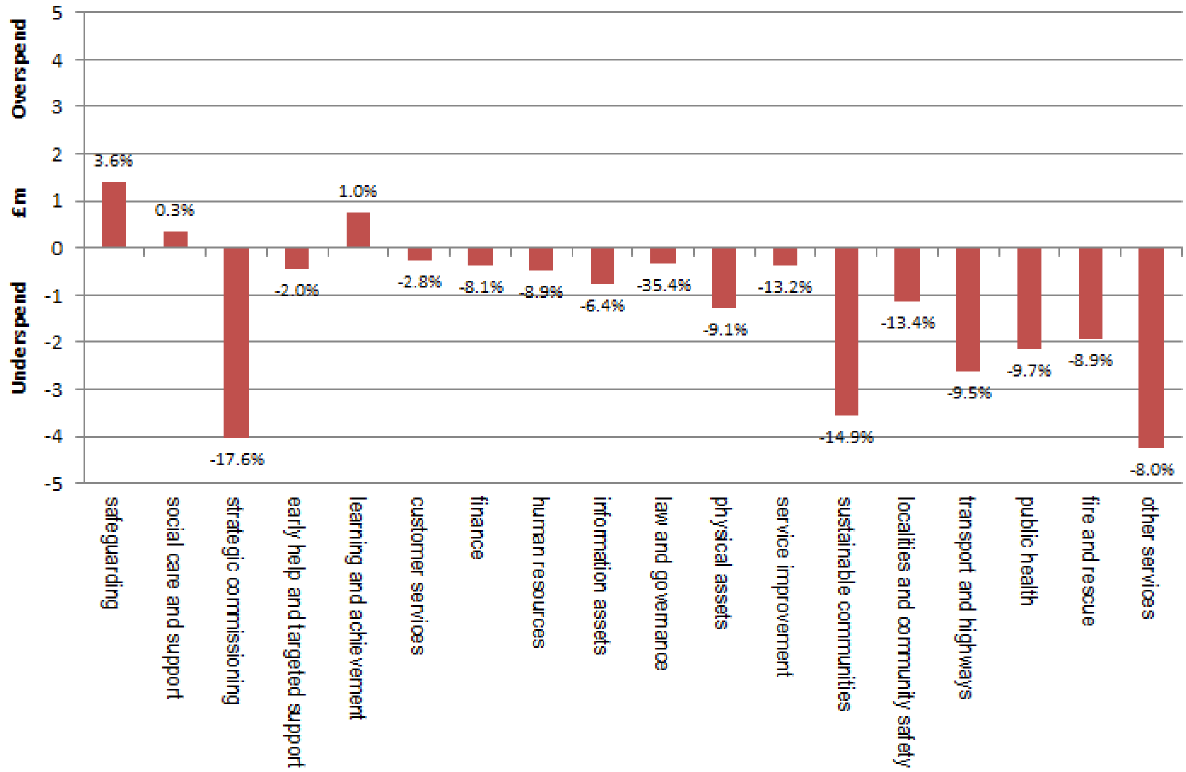
What we have spent

The revenue funding of £538 million has been used to finance the various services we provide, as illustrated in the chart below. Services spent £3 million less than their cash-limited budget. This is included in the net carry forward of unused funding in reserves.



Revenue spending compared to our plans

The chart below sets out our financial performance, by Business Unit, in 2013/14 compared to the approved budget.



The key features of our financial performance in 2013/14 are:

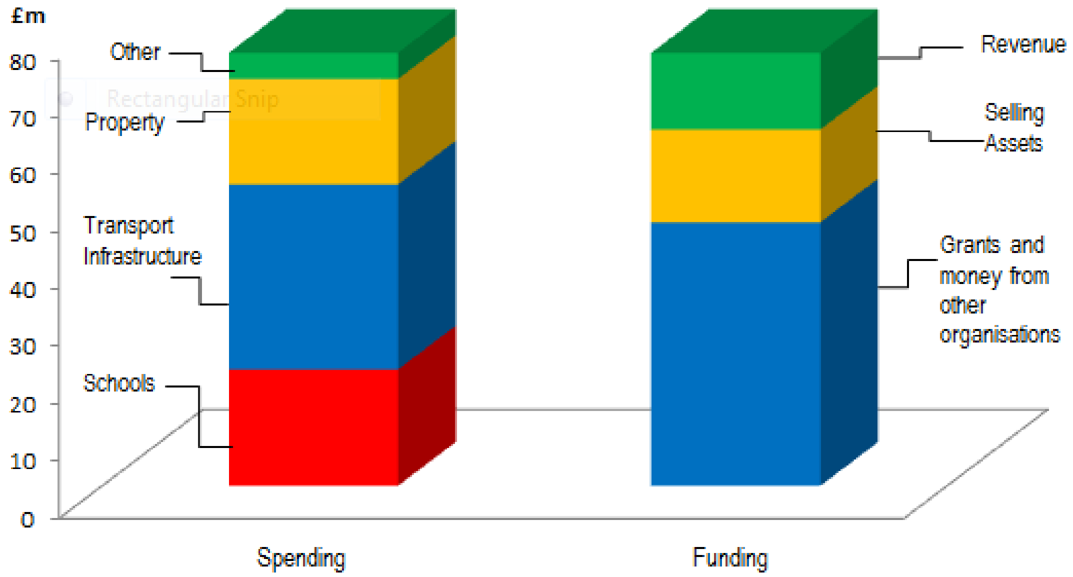
- The planned £17 million use of reserves to support spending in 2013/14 was not needed and instead we increased our reserves by £3 million; and
- As a result this funding is available to support investment and the delivery of savings over a longer period

Savings and efficiencies

2013/14 was the final year of our current three-year medium term financial plan. Implementation of this plan has required savings of £59 million to be delivered, of which £55 million had been delivered by the end of 2013/14. £4 million of savings remain to be delivered in 2014/15. Progress on the delivery of these savings will be managed alongside the further savings required in 2014/15 as part of the 2014-18 One Organisation Plan, approved in February 2014.

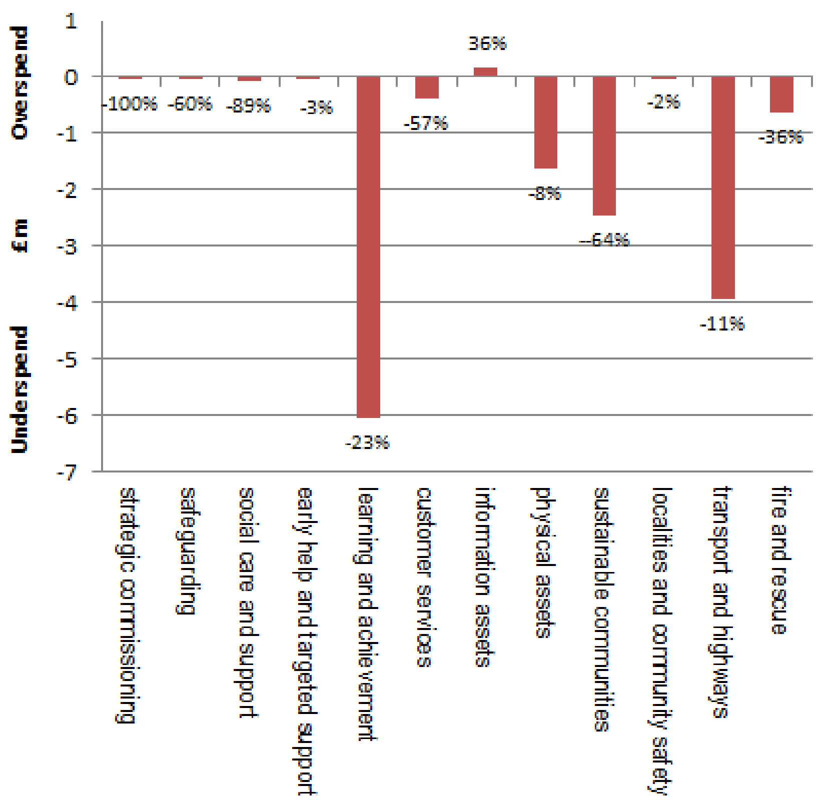
Capital spending

We spent £76 million on the purchase and creation of assets in 2013/14. Further details on the sources of finance and the areas of spending are provided in the chart.



Capital spending compared to our plans

Our spending was £15 million less than our estimate of £91 million. This underspend was due to delays on individual projects. This spending is expected to be incurred in 2014/15.



The chart on the left sets out the County Council's capital spend, by Business Unit, in 2013/14 compared to the budget approved by Members.

Our performance is monitored by Cabinet through the quarterly organisational health report, which combines financial reporting with performance reporting. You can get more information on our overall 2013/14 revenue and capital spending and the delivery of our planned savings in the end-of-year Organisational Health report to Cabinet on 22 July 2014 https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx

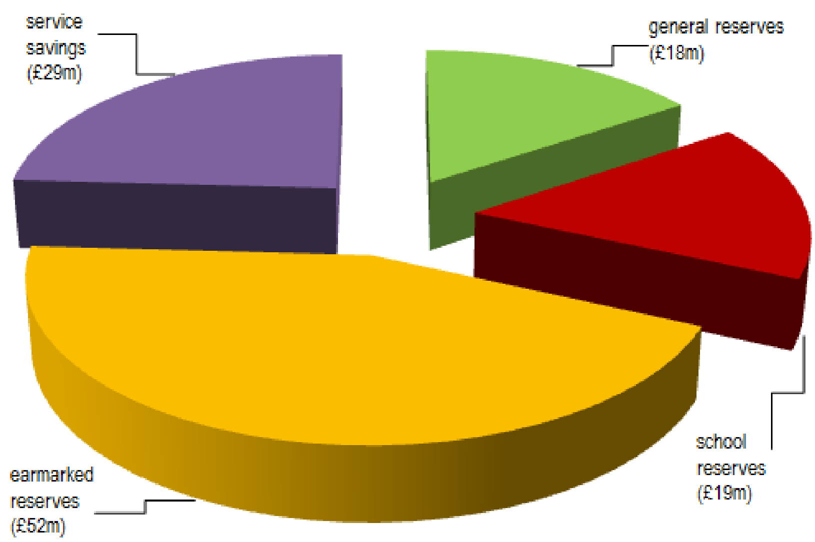
The value of our assets

The value of our assets has decreased from £998 million to £967 million. This decrease in the value of our assets is due to the effect of:

- Schools valued at £36 million transferring to academy status during 2013/14, resulting in them no longer being part of our asset base;
- The sale of assets valued at £16 million as part of our on-going property rationalisation programme;
- £65 million investment in assets that we own;
- The 5-yearly revaluation of our land and buildings assets, resulted in a slight net uplift in the value of our assets of £4 million; and
- A charge for the use of assets during the year of £48 million.

Reserves

We have set up a number of reserves for specific purposes and for events we know are going to happen (earmarked reserves). We also have a General Fund and service savings that we keep to manage potential risks that we continually assess.



At 31 March 2014 our usable revenue reserves are £118 million. A breakdown is shown in the chart on the left.

Pensions

At 31 March 2014 our total pensions liability was £665 million, an increase of £8 million over the year. Whilst this is shown as a long-term liability in our accounts, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and mean that our financial position remains healthy.

Borrowing and investments

We undertake treasury management activities in a prudent and flexible manner so as to ensure our capital spend is funded at the lowest cost whilst retaining sufficient liquid funds to provide for day-to-day cashflow requirements. These activities are managed within an overall framework determined by the annual Treasury Management Strategy.

The key highlights of the Council's Treasury Management activities in 2013/14 are:

- Whilst the average rate that financial institutions lend money to each other (LIBID) was 0.36% during 2013/14 our treasury management activity generated average interest on investments of 0.41%;
- We have managed the Council's money prudently, with investments made to the UK Debt Management Office and to other local authorities in line with our Treasury Management Strategy;
- Total long-term debt outstanding is £383.5 million at 31 March 2014 compared to £386.0 million at 31 March 2013; and
- At 31 March 2014 we are holding £152 million of cash or cash equivalents, an increase of £29 million from the previous year.

The 2014-18 One Organisation Plan

In February we agreed our 2014-18 One Organisation Plan that will shape the future of Warwickshire over the next four years. We know that more people will be living in the county and the make-up of Warwickshire's households will change. We know that people will access services in different ways and technology will play a big role in this.

Our core purpose is to "develop and sustain a society that looks after its most vulnerable members, delivers appropriate, quality services at the right time and seeks opportunities for economic growth and innovation". We will know that we are on the right track when:

- Our communities and individuals are safe and protected from harm and are able to remain independent for longer;
- The health and well-being of all of Warwickshire is protected;
- Warwickshire is seen as a centre of choice for business with excellent communication and transport links;
- Our economy is vibrant and thriving so residents will have access to jobs, training and skills development to secure economic growth; and
- Resources and services are targeted effectively and efficiently whether delivered by the local authority, commissioned or in partnership.

We have put in place a budget and medium term financial plan within which the 2014-18 One Organisation Plan will be delivered. The 2013/14 outturn does not require any changes to this plan. Our Plan assumes a 1.99% annual uplift in council tax, although this will be subject to review and ratification in February each year.

For the foreseeable future we will not have the money we had previously to spend on services. To be financially responsible and present an honest and realistic picture of the challenges ahead our medium term financial plan includes:

- An allocation of £41 million for the estimated cost of inflation at a local level over the period 2014-18;
- A further allocation of £5 million a year to respond to expected spending pressures, including £2.5 million a year from 2015/16 onwards to respond to any new spending pressures that emerge to ensure we have in place a medium term financial plan that is financially resilient;
- A plan for the delivery of £71 million savings to ensure the budget is sustainable. The savings have been identified from all areas of activity and will be delivered in a phased manner between now and 31 March 2018;
- A limit on capital spend funded from borrowing and capital receipts (excluding schools) to £20 million a year to reduce the authority's level of outstanding debt; and
- Using our capital resources to support the growth of the local economy through investment in infrastructure. This will not only stimulate economic growth but deliver a positive and sustainable economic impact for the people of Warwickshire.

You can get more information on 2014-18 financial plans in the report on the service estimates to Cabinet on 13 March 2014 https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx and on the 2014-18 Plan in the report to Council on 25 February 2014 https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx

Content and Format of the Statement of Accounts

Core Financial Statements

These comprise the four key pieces of information in the Statement of Accounts

Comprehensive Income and Expenditure Statement	Balance Sheet
An accounting deficit of £101.5 million for 2013/14 has been reported; the outturn position is a £3.5 million surplus. *This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, impairment and pensions charges.*	**A decrease of £6.3 million in County Council net assets as at 31 March 2014.** *The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2014 the County Council's net worth was £101.9 million.*
Cash Flow Statement	**Movement in Reserves Statement**
A net cash inflow of £29.0 million in 2013/14 in cash or cash equivalents. *This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.*	**An increase of £15.0 million in County Council usable reserves.** *This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.*

Statement of accounting policies
This summarises the accounting rules and conventions we have used in preparing these financial statements.

Notes to the core financial statements
The notes include more detail to support the information contained in the core financial statements as well as information on critical judgements and assumptions applied in the production of the accounts.

Other Information in the Annual Financial Report and Statement of Accounts

Statement of responsibilities
This statement explains our responsibility and the responsibility of the Head of Finance and confirms the date the Council approved the statement of accounts.

Firefighters' Pension Fund accounts
These accounts contain details of the Firefighters' Pension Fund for the financial year.

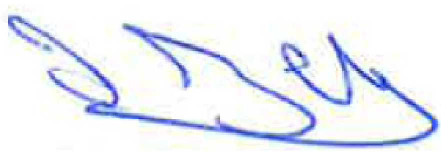
Annual Governance Statement
This sets out the arrangements the County Council has put in place to ensure there is an effective system of internal control to manage service delivery and deliver services in an efficient, effective and economic way.

Pension Fund accounts

The Pension Fund accounts provide detail on the annual results of the Warwickshire County Council administered Warwickshire Local Government Pension Scheme, covering both County Council employees and pensioners and those of the district and borough councils and other admitted bodies. The accounts are published separately but can be accessed through the attached link http://www.warwickshire.gov.uk/accounts

Concluding remarks

I am extremely grateful to all the finance staff across the Council for the support and enthusiasm they have brought to the many and challenging tasks they have faced and who have worked hard to close the accounts to a demanding timescale.



John Betts
Head of Finance

Movement in Reserves Statement

Movement in Reserves Statement - 2013/14	General Fund £ m	Earmarked Reserves £ m	Capital Fund £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2013	**18.8**	**87.5**	**0.4**	**3.4**	**110.1**	**-1.9**	**108.2**
Movement In Reserves During 2013/14							
Surplus or deficit (-) on provision of services (accounting basis)	-101.5	0.0	0.0	0.0	**-101.5**	0.0	-101.5
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	**0.0**	95.2	95.2
Total Comprehensive Income and Expenditure	**-101.5**	**0.0**	**0.0**	**0.0**	**-101.5**	**95.2**	**-6.3**
Adjustments between accounting basis and funding basis under regulations (note 1)	112.0	0.0	0.6	3.9	116.5	-116.5	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**10.5**	**0.0**	**0.6**	**3.9**	**15.0**	**-21.3**	**-6.3**
Transfers to / from (-) Earmarked Reserves (note 2)	-10.9	11.0	-0.1	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	**-0.4**	**11.0**	**0.5**	**3.9**	**15.0**	**-21.3**	**-6.3**
Balance at 31 March 2014	**18.4**	**98.5**	**0.9**	**7.3**	**125.1**	**-23.2**	**101.9**

Movement in Reserves Statement - 2012/13 Restated	General Fund £ m	Earmarked Reserves £ m	Capital Fund £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2012	**15.7**	**70.0**	**0.3**	**29.5**	**115.5**	**119.4**	**234.9**
Movement In Reserves During 2012/13							
Surplus or deficit (-) on provision of services (accounting basis)	-27.0	0.0	0.0	0.0	**-27.0**	0.0	**-27.0**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	**0.0**	-99.7	**-99.7**
Total Comprehensive Income and Expenditure	**-27.0**	**0.0**	**0.0**	**0.0**	**-27.0**	**-99.7**	**-126.7**
Adjustments between accounting basis & funding basis under regulations (note 1)	47.6	0.0	0.1	-26.1	21.6	-21.6	**0.0**
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**20.6**	**0.0**	**0.1**	**-26.1**	**-5.4**	**-121.3**	**-126.7**
Transfers to / from (-) Earmarked Reserves (note 2)	-17.5	17.5	0.0	0.0	0.0	0.0	**0.0**
Increase / Decrease (-) in Year	**3.1**	**17.5**	**0.1**	**-26.1**	**-5.4**	**-121.3**	**-126.7**
Balance at 31 March 2013	**18.8**	**87.5**	**0.4**	**3.4**	**110.1**	**-1.9**	**108.2**

None of the general fund balance held is for schools as they hold a separate earmarked reserve (see note 2).

Comprehensive Income and Expenditure Statement

2012/13				2013/14		
Gross spending (Restated) £m	**Income £m**	**Net spending (Restated) £m**	**Summary of revenue spending**	**Gross spending £m**	**Income £m**	**Net spending £m**
			Money spent on services			
12.1	-1.5	10.6	~ cultural and related services	13.2	-1.7	11.5
24.1	-3.3	20.8	~ environmental and regulatory services	33.4	-3.3	30.1
11.5	-5.3	6.2	~ planning and development services	20.8	-3.5	17.3
444.3	-322.8	121.5	~ children's and education services	472.9	-307.8	165.1
23.3	-0.7	22.6	~ fire and rescue services	30.5	-0.2	30.3
54.0	-9.5	44.5	~ highways, roads and transport services	56.9	-10.9	46.0
168.8	-37.0	131.8	~ adult social care	169.2	-34.5	134.7
9.7	-0.2	9.5	~ other housing services	10.4	-0.2	10.2
0.6	-0.1	0.5	~ court services	0.1	-0.1	0.0
1.9	-1.4	0.5	~ central services to the public	3.1	-1.4	1.7
8.2	0.0	8.2	~ corporate and democratic core	6.6	-0.2	6.4
-0.2	0.0	-0.2	~ non distributed costs	-6.9	0.0	-6.9
3.7	-3.7	0.0	~ other services	3.9	-3.9	0.0
762.0	-385.5	376.5	Net cost of services (continuing services)	814.1	-367.7	446.4
0.0	0.0	0.0	Acquired operations - public health	24.1	-22.6	1.5
762.0	**-385.5**	**376.5**	**Net cost of services (total continuing services)** (note 3)	**838.2**	**-390.3**	**447.9**
29.5	0.0	29.5	~ Other operating expenditure (note 4)	34.5	0.0	34.5
59.2	-12.5	46.7	~ Financing and investment income and expenditure (note 5)	60.8	-13.5	47.3
0.0	-425.7	-425.7	~ Taxation and non-specific grant income and expenditure (note 6)	0.0	-428.2	-428.2
850.7	**-823.7**	**27.0**	**Surplus (-) or deficit on the provision of services**	**933.5**	**-832.0**	**101.5**
			Items that will not be reclassified to the surplus(-)/deficit on the provision of services			
3.8		3.8	~ Surplus (-) or deficit on revaluation of property, plant and equipment	-67.1		-67.1
95.9		95.9	~ Remeasurements recognised in other comprehensive income on pension assets/liabilities	-28.1		-28.1
99.7	**0.0**	**99.7**	**Other comprehensive income and expenditure**	**-95.2**	**0.0**	**-95.2**
950.4	**-823.7**	**126.7**	**Total comprehensive income and expenditure**	**838.3**	**-832.0**	**6.3**

The increase in the net cost of services of £71.4 million is largely due to the impact of the five-yearly revaluation of assets. Details are shown in note 3.

Balance Sheet as at 31 March 2014

2013 £ m	Balance Sheet as at 31 March	2014 £ m	Notes
971.1	Property, plant and equipment	935.4	8
20.5	Investment property	25.5	10
3.9	Heritage assets	4.0	9
2.2	Intangible assets	1.7	11
997.7	**Total fixed assets**	966.6	
0.1	Long-term investments	0.0	
0.1	Long-term debtors	0.1	
997.9	**Total long-term assets**	**966.7**	
	Current assets		
111.0	Short-term investments	81.6	
0.5	Inventories	0.6	
51.7	Short-term debtors	45.5	13
123.2	Cash and cash equivalents	152.2	14
0.7	Assets held for sale	0.9	15
0.4	Landfill Allowances Asset Account	0.0	
287.5	Total current assets	280.8	
	Current liabilities		
-4.0	Provisions (settlement within 12 months)	-2.7	17
-15.3	Short-term borrowing	-2.5	
-91.3	Short-term creditors	-75.4	16
0.0	Finance lease liability	-0.1	
-1.8	Grants received in advance - revenue	-0.2	23
-112.4	Total current liabilities	-80.9	
175.1	**Current assets less current liabilities**	**199.9**	
-2.6	Provisions (settlement over 12 months)	-2.5	17
-386.0	Long-term borrowing	-383.5	
-18.3	Capital grants received in advance	-13.3	23
	Other long-term liabilities		
-0.2	~ Finance lease liability	0.0	
-657.7	~ Liability related to defined benefit pension scheme	-665.4	19
-1,064.8	**Long-term liabilities**	**-1,064.7**	
108.2	**Net assets**	**101.9**	
	Balance Sheet as at 31 March		
110.1	Usable reserves	125.1	18
-1.9	Unusable reserves	-23.2	19
108.2	**Total reserves**	**101.9**	

John Betts

Head of Finance

Cash-flow Statement

Year ended 31 March 2013 (Restated) £ m	Cash-flow Statement	Year ended 31 March 2014 £ m
-27.0	Net surplus or deficit (-) on the provision of services	-101.5
65.6	Adjust net surplus or deficit on the provision of services for noncash movements	140.2
-1.7	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-25.5
36.9	**Net cash flows from operating activities (note 20)**	**13.2**
-6.1	Investing activities (note 21)	21.4
0.4	Financing activities (note 22)	-5.6
31.2	**Net increase or decrease in cash and cash equivalents**	**29.0**

Year ended 31 March 2013 £ m	Reconciliation to movement in cash and cash equivalents	Year ended 31 March 2014 £ m
92.0	Cash and cash equivalents at the beginning of the reporting period	123.2
123.2	Cash and cash equivalents at the end of the reporting period	152.2
31.2	**Movement in cash and cash equivalents**	**29.0**

There was an increase of £29.0 million in cash and cash equivalents in the year ending 31 March 2014.

Statement of accounting policies

This section summarises the accounting rules and conventions we have used in preparing these financial statements.

General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2013/14 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of income and expenditure

Activity is accounted for in the year that it takes place. This means that income is recorded in our accounts when we are owed it rather than when we receive it. Likewise, expenditure is recorded in our accounts when we owe it, rather than when we actually make a payment. We have a de minimis level for non-system generated accruals of £50,000 that managers can use if they wish. We would not expect the effect to be material to the overall accounting position.

Acquired operations

On 1 April 2013 a number of public health functions transferred from the NHS to become our responsibility as part of the Government’s plan to improve the delivery of public health services. This is shown as an acquired operation in the Comprehensive Income and Expenditure Statement.

Assets held for sale

Where we have made a decision to sell an asset and the asset is being actively marketed it is categorised as held for sale. If a sale is expected within 12 months of making that decision the assets are shown separately in the financial statements (treated as current assets) and valued at the lower of carrying amount and fair value less disposal costs. Those assets that we do not expect to sell within 12 months are not classed as assets held for sale and instead are valued at their previous use.

Carbon Reduction Commitment Scheme

We are required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. The scheme is in its introductory phase until 31 March 2014. We are required to purchase and surrender allowances retrospectively on the basis of emissions i.e. the carbon dioxide produced as energy is used. As carbon dioxide is emitted a liability and an expense are recognised. The liability is discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of our services and is apportioned to services alongside other property costs.

Cash and cash equivalents

Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash.

Contingent assets

We have identified contingent assets where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 34 to the accounts on page 55.

Contingent liabilities

We have identified contingent liabilities where either:

- A possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control or,
- A present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Our contingent liabilities disclosure is shown in note 35 to the accounts on page 56.

Employee benefits

Benefits payable during employment

The accounts reflect entitlements that have been earned by employees as a consequence of the service completed by them as at 31 March each year even if we would never normally pay them, such as annual leave and time-off in lieu not taken at the year end. These are accrued for and shown in the cost of services in the Comprehensive Income and Expenditure Statement based on assessments provided by our Actuaries and GAD (the Government Actuaries Department).

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the Comprehensive Income and Expenditure Statement as the earlier of when the authority can no longer withdraw the offer or when we recognise costs of a restructuring.

Post-employment benefits

As part of the terms and conditions of employment we offer retirement benefits. Although these benefits will not actually be payable until the employee retires we account for post-employment benefits in the Comprehensive Income and Expenditure Statement at the time that employees earn their future entitlement.

Our employees are members of four different pension schemes and we participate in one compensation scheme:

- The Local Government Pension Scheme
- The Teachers' Pension Scheme
- The Firefighters Pension Scheme and the Firefighters Injury Awards Scheme
- The National Health Service Pension Scheme

All four schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes and their impact on the financial statements are shown in note 39 on pages 60 to 71.

Events after the Balance Sheet date

We have to consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Head of Finance. If anything is identified, we will agree treatment and disclosure with our auditors.

Exceptional items, prior period adjustments and changes to accounting policies

Exceptional items are material items of income or expenditure that are disclosed separately in the Comprehensive Income and Expenditure Statement to aid understanding of our financial performance.

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. There have been no significant changes in accounting policy and no material prior period adjustments this year.

Financial assets

Financial assets are classified into loans and receivables and available-for-sale assets.

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual credits to 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 in the year it was due or earned. For the loans we have made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are recorded in the accounts at the price we bought them. Interest we earned on our investments is shown in the accounts in the year it was due or earned. We hold investments with Aviva Investments which are classed as loans and receivables.

We make available a car loan facility at below market rates as well bicycle purchase and train season ticket loans interest free for employees. In addition we make a small number of business loans. Collectively these are known as soft loans. The amount of these loans represented on the Balance Sheet has not been written down to fair value as the effect of doing would not have a material effect on the financial statements.

Trade debtors are due within one year and carrying value is deemed to equate to fair value.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the assets are written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains or losses that arise on derecognition of an asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Available-for-sale assets

Available-for-sale assets are initially measured and carried at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement (MIRS). Where impairments are recognised or assets derecognised charges are made to the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses in the reserve previously recognised in the MIRS.

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to 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 in the year it was due. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Trade creditors are due within one year and carrying value is deemed to equate to fair value.

Government grants

Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. General grants we receive such as Revenue Support Grant are shown as taxation and non-specific grant income in the Comprehensive Income and Expenditure Statement. Government grants we receive to pay for spending on specific service activities are shown as income for the relevant service area. Where grants and contributions for revenue have conditions outstanding or remains unspent at the Balance Sheet date the grant is held either as a receipt in advance, if not fulfilling the conditions would result in the return of the grant, or as an earmarked reserve.

Capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement when any relevant conditions governing their use or repayment have been met. This income is then reversed out and charged to the Capital Adjustment Account so the level of council tax is not affected. Before the conditions are met, capital grants are held on the Balance Sheet as a Capital Grants Received in Advance liability. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve.

Heritage assets

Our heritage assets are held due to their cultural, environmental or historic associations making their preservation for future generations important. We value our museum collections, valuables at the Courts, Judges House and Shire Hall at their insurance valuations. The Golden Tower of Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records and are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any revaluations would not have a material impact on the accounts. Operational heritage assets, which are used in the provision of services or for other activities, are accounted for under other assets classes elsewhere in the Balance Sheet. Heritage assets classified as community or other assets are valued at insurance cost unless our valuers believe conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve. More detailed information on the heritage assets we hold is available on our web-site warwickshire.gov.uk.

Income from selling non-current assets

We use the income from selling non-current assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. Any of this money that we have not used by the end of the year is recorded in the Balance Sheet as the Capital Receipts Reserve. We show the gain or loss on the sale of assets in the Comprehensive Income and Expenditure Statement. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the Comprehensive Income and Expenditure Statement, regardless of whether all the proceeds of the related sale have been received. Up to 4% of a capital receipt may be used to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation transferred to the Capital Adjustment Account) and the sale proceeds (transferred from the Capital Receipts Reserve) are also shown as reversing entries in the Movement in Reserves Statement so the level of council tax is not affected.

Intangible assets

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other non-current assets. We gradually reduce (amortise) the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the Comprehensive Income and Expenditure Statement. Intangible assets are initially valued at historic cost (the cost at which they were acquired).

Inventories

Inventories are materials or supplies that will be consumed in producing goods or providing services. The highways, roads and transport services stocks are valued at the cost of replacing them. Other stocks are valued at the cost we paid for them. These methods of valuing stocks are different from the methods set out by the CIPFA code. This does not have a major effect on the financial statements. Inventories are not shown in the accounts as they are not material.

Investment property

Investment property assets are those held for rental purposes or capital value appreciation. They are not used for the delivery of services. Investment property is revalued at fair value every year. For investment property, fair value is the amount for which the asset could be exchanged for between knowledgeable parties at arms-length.

Leases

Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the Council. All other leases are operating leases.

Finance leases

We deal with finance leases in the same way as other capital spending. We have included these as assets in the balance sheet and charge depreciation on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the Comprehensive Income and Expenditure Statement.

Operating leases

The vast majority of our lease-rental payments are assessed to be operating leases and are charged evenly to the Comprehensive Income and Expenditure Statement over the life of the lease.

Minimum Revenue Provision

We are required to make an annual contribution from revenue for the repayment of our debt. This is known as the Minimum Revenue Provision (MRP). We calculate MRP on a straight line basis using the average remaining useful life of our asset portfolio over the two asset categories of:

- Land, buildings and infrastructure
- Vehicles, plant and equipment

Overheads and support service costs

In accordance with the CIPFA Service Reporting Code of Practice 2013/14 all support service costs are apportioned fully to services on a relevant basis. The two categories of cost that are not charged out to services are corporate and democratic core costs and non-distributed costs.

Property, plant and equipment

Assets that have a physical substance and are held for use in the production or supply of services and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE).

Recognition

Our spending on buying, creating or improving PPE is classed as capital spending on an accruals basis provided that it is probable that the future economic benefits or service associated with the item will flow to us and the cost of the item can be measured reliably. Spending that does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our de-minimis level of £6,000 is charged to our revenue account in full in the year it occurs.

Measurement

Assets are initially measured at cost comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations alongside any external valuers appointed by the Council.

The closing balances on 31 March 2014 were valued in the following ways:

- Land and buildings are included in the Balance Sheet at their open-market value based on their existing use. However, where there is insufficient market valuation evidence some land and buildings, for example schools, are included in the Balance Sheet at a depreciated replacement cost. Surplus assets which are not likely to be disposed of in the next twelve months are valued as their previous use.
- We have included assets that we do not use in our day-to-day work, including investment properties and assets we intend to sell within the next twelve months, in the Balance Sheet at their open-market value. These assets are revalued every year.
- We have included infrastructure assets, such as roads and bridges and community assets, vehicles and equipment in the Balance Sheet at the amount they cost when brought into use less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value.
- The valuation of heritage assets is disclosed in the accounting policy on heritage assets on page 26.

We revalue all those fixed assets which are held at a value other than depreciated historic cost at least once every five years. In line with this policy our PPE assets have been revalued at 31 March 2014. We adjust for any changes to the value of assets in between these five-yearly revaluations as they happen, whether due to events affecting groups of assets or single assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them we add the difference to the Revaluation Reserve.

Impairments

If the value goes down across a group of assets for the same reason, we regard this as a revaluation loss. If events occur which lead to the value of an individual asset reducing, we regard this as an impairment loss. Both types of loss are charged to any Revaluation Reserve balance held for that asset, up to the balance available, with the remainder being charged to the Comprehensive Income and Expenditure Statement. This charge is then reversed out in the Movement in Reserves Statement so that there is no impact on council tax.

Depreciation

Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation cost on buildings over our valuers estimate of their useful economic life (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment).

The cost of depreciation is calculated according to the following:

- Our new assets are depreciated from the start of the next financial year after they are ready to be used.
- Assets or projects that are incomplete are classified as assets under construction on the Balance Sheet and are recorded at historic cost and not depreciated.
- Depreciation is calculated on a straight-line basis meaning that an assets value falls equally each year throughout its life. If the gross value of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.
- We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investments properties or assets held for sale. Similarly, heritage assets are generally assessed to have infinite lives and so are not depreciated.

As part of the revaluation of our land and buildings estate in 2008/09 valuers supplied new estimates of our assets' useful economic lives. These estimates are reflected in the depreciation charges for 2013/14. The next five year valuation will inform the depreciation charges for 2014/15 onwards.

Provisions

We put amounts of money aside to meet specific service payments. For these to count as provisions, they need to pass three tests:

- They must be the result of a past event.
- The amount must be a reliable estimate.
- There must be a clear responsibility to make this future payment because of the past event.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement when we become aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made they are charged to the provision already set up in the Balance Sheet.

Reserves

We keep reserves to pay for spending on projects we will carry out in future years, and to protect us against unexpected events. Reserves include 'earmarked reserves' which we set aside for certain policy purposes and other general reserves which represent resources set aside for purposes such as general events and managing our cash flow. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Reserves are created by appropriating amounts in the Movement in Reserves Statement (MIRS). When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the general fund via the MIRS so that there is no net charge against council tax.

Other reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources:

- The capital accounting system requires us to maintain a number of accounts/reserves in the Balance Sheet. Details of the purpose and movements in these reserves (the Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and the Available for Sale Financial Instruments Reserve) are shown in note 19 to the accounts on page 44.
- We keep a separate reserve to hold unused cash we receive from selling fixed assets. This is described in the Balance Sheet as the 'Capital Receipts Reserve'.
- We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a reserve called 'Capital Grants Unapplied' if there are no remaining conditions on their use.
- We maintain a 'Collection Fund Adjustment Account' which holds the difference between the amount required to be shown in the Comprehensive Income and Expenditure Statement for council tax and business rates and that required by legislation to be taken against the General Fund.
- We maintain a Compensated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax.

Revenue expenditure funded from capital under statute

We undertake capital spending during the year to support the provision of services that does not result in the creation of an asset we own. For example, foundation and voluntary aided schools own their own assets. Any money we spend on these assets must be charged to the Comprehensive Income and Expenditure Statement but is funded from capital resources not council tax. To make sure that the council tax is not affected, we then make an adjustment equal to the total to reverse this and charge it to the Capital Adjustment Account.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. We are subject to Partial Exemption. This means that, as long as the VAT we claim on purchases used to generate exempt incomes is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

Notes to the Core Financial Statements

Note 1: Adjustments between accounting basis and funding basis under regulations

Adjustments between accounting basis and funding basis under regulations - 2013/14	General Fund Balance £ m	Capital Fund £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
~ Charges for depreciation of non-current assets	47.1				-47.1
~ Revaluation losses on property, plant and equipment non-current assets	66.1				-66.1
~ Loss on held for sale assets	0.1				-0.1
~ Movements in the market value of investment properties	-1.0				1.0
~ Amortisation of intangible assets	0.4				-0.4
~ Capital grants and contributions applied	-46.0				46.0
~ Revenue expenditure funded from capital under statute	10.3				-10.3
~ Amounts of non-current assets written off on disposal to the CIES	50.6				-50.6
Insertion of items not debited or credited to the CIES					
~ Statutory provision for the repayment of debt	-16.7				16.7
~ Capital expenditure charged to the General Fund Balance	-13.4				13.4
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Capital grants and contributions unapplied credited to the CIES	3.3			-3.3	0.0
~ Application of grants to capital financing transferred to Capital Adjustment Account	-7.2			7.2	0.0
Adjustments primarily involving the Capital Receipts Reserve					
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-16.2		16.2		0.0
~ Use of the Capital Receipts Reserve to finance new capital expenditure			-16.2		16.2
~ Contribution from the Capital Receipts Reserve/Capital Fund to administrative costs of non-current asset disposals	-0.6	0.6			0.0
Adjustments primarily involving the Financial Instruments Adjustment Account					
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1				-0.1
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire-fighters pension liabilities	-3.7				3.7
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	74.8				-74.8
~ Employers pensions contributions and direct payments to pensioners payable in the year	-35.3				35.3
Adjustments primarily involving the Collection Fund Adjustment Account					
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-3.7				3.7
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	1.1				-1.1
Adjustment primarily involving the Accumulated Absences Account					
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.9				-1.9
Total adjustments	**112.0**	**0.6**	**0.0**	**3.9**	**-116.5**

Adjustments between accounting basis and funding basis under regulations - 2012/13 restated	General Fund Balance £ m	Capital Fund £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
~ Charges for depreciation of non-current assets	44.3				-44.3
~ Revaluation losses on property, plant and equipment assets	7.7				-7.7
~ Gain on held for sale assets	0.2				-0.2
~ Movements in the market value of investment properties	2.3				-2.3
~ Amortisation of intangible assets	0.3				-0.3
~ Capital grants and contributions applied	-71.9				71.9
~ Revenue expenditure funded from capital under statute	14.8				-14.8
~ Amounts of non-current assets written off on disposal to the CIES	30.2				-30.2
Insertion of items not debited or credited to the CIES					
~ Statutory provision for the repayment of debt	-17.6				17.6
~ Capital expenditure charged to the General Fund Balance	-8.1				8.1
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Capital Grants and contributions unapplied credited to the CIES	8.6			-8.6	0.0
~ Application of Grants to capital financing transferred to Capital Adjustment Account	17.5			-17.5	0.0
Adjustments primarily involving the Capital Receipts Reserve					
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-1.3		1.3		0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure			-1.3		1.3
~ Contribution from Capital Receipts Reserve to administrative costs of non- current asset disposals	-0.1	0.1			0.0
Adjustments primarily involving the Financial Instruments Adjustment Account					
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1				-0.1
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire-fighters pension liabilities	-3.0				3.0
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	59.7				-59.7
~ Employers pensions contributions and direct payments to pensioners payable in the year	-32.7				32.7
Adjustments primarily involving the Collection Fund Adjustment Account					
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-0.1				0.1
Adjustment primarily involving the Accumulated Absences Account					
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-3.4				3.4
Total adjustments	**47.6**	**0.1**	**0.0**	**-26.1**	**-21.5**

Table may not sum due to roundings

Note 2: Transfers to/from earmarked reserves

Movement in earmarked reserves	Balance at 1 April 2012 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2013 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2014 £ m
Schools Balances (under a scheme of delegation)	20.1	-1.2	0.0	18.9	-1.4	0.0	17.5
Insurance Fund	8.0	0.0	0.0	8.0	0.0	1.0	9.0
DSG Reserve	1.7	-1.5	0.0	0.2	0.0	1.0	1.2
LPSA Reserve	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Equal Pay Reserve	2.3	-0.6	0.0	1.7	-1.7	0.0	0.0
IT for Schools	-0.1	0.0	0.0	-0.1	0.0	0.1	0.0
PFI Credits Reserve	0.9	-0.3	0.0	0.6	-0.4	0.0	0.2
NNDR Appeals Reserve	0.0	0.0	0.0	0.0	0.0	1.0	1.0
NNDR Pool Reserve	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5
Service Realignment Fund	1.3	-0.1	0.0	1.2	0.0	10.1	11.3
Capacity Building Fund	0.3	0.0	0.6	0.9	0.0	0.5	1.4
Elections Reserve	0.2	0.0	0.1	0.3	-0.3	0.0	0.0
Other Business Unit savings and earmarked reserves (net movement)	35.2	0.0	20.6	55.8	0.0	1.6	57.4
Total	**70.0**	**-3.8**	**21.3**	**87.5**	**-4.3**	**15.3**	**98.5**

The money that Business Units set aside is held to make sure that they can meet future known budget commitments, and that the services will have the resources to react to any unexpected events. Details of reserves held by Business Units are reported to Elected Members on a regular basis as part of our Organisational Health Reports and are available via www.warwickshire.gov.uk.

Note 3: Material items of income and expenditure

The table below details the increase of £71.4 million in the net cost of services between 2012/13 and 2013/14.

Movement in the net cost of services	2012/13 £ m	2013/14 £ m	Change £ m
Gross expenditure on the net cost of services	750.7	764.1	13.4
~ Accumulated absences accrual	-3.4	1.9	5.3
~ IAS 19 pensions adjustment	0.6	9.3	8.7
~ capital expenditure charged to the general fund	-8.1	-13.3	-5.2
~ revenue expenditure funded from capital under statute	14.8	10.3	-4.5
~ revaluation losses and impairments	7.4	65.9	58.5
Total gross expenditure on the net cost of services	**762.0**	**838.2**	**76.2**
Income including specific service revenue grants	-377.3	-385.1	-7.8
Grants funding revenue expenditure from capital under statute	-8.2	-5.2	3.0
Total income on the net cost of services	**-385.5**	**-390.3**	**-4.8**
Net cost of services	**376.5**	**447.9**	**71.4**

Note 4: Other operating expenditure

2012/13 £ m	Other operating expenditure	2013/14 £ m
0.2	Levies - Environment Agency Levy	0.2
0.2	Gains (-) / losses on disposal of current assets - held for sale	0.1
29.1	Losses on disposal/transfer of non-current assets	34.2
29.5		**34.5**

Note 5: Financing and investment income and expenditure

2012/13 Restated £ m	Financing and investment income and expenditure	2013/14 £ m
19.4	Interest payable and similar charges	19.1
25.9	Net interest on the net defined benefit liability (asset)	29.3
-1.5	Interest receivable and similar income	-1.1
-10.6	Trading account income	-11.2
11.5	Trading account expenditure	12.4
2.3	Income and expenditure on investment properties and changes in their fair value	-1.0
0.1	Other investment expenditure	0.0
-0.4	Other investment income	-0.2
46.7		**47.3**

Note 6: Taxation and non-specific grant income and expenditure

2012/13 £ m	Taxation and Non Specific Grant Incomes	2013/14 £ m
234.4	Council tax income	213.0
	Non domestic rates income and expenditure	
102.5	~ Retained business rates	33.8
0.0	~ Business rates top up	21.6
0.0	Business rates pool growth (WCC share)	0.1
2.0	Revenue Support Grant	84.2
	Other non-ringfenced Government grants	
3.0	~ Fire Pensions Fund Grant (gain)	3.7
46.2	~ Revenue grants	27.1
37.6	~ Capital grants and contributions	44.7
425.7		**428.2**

Note 7: Segmental reporting

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by our Cabinet and full Council on the basis of budget reports analysed across groups.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure of our services recorded in the final outturn report for the year is as follows:

Segmental reporting analysis 2013/14	**People Group £ m**	**Communities Group £ m**	**Fire and Rescue Service £ m**	**Resources Group £ m**	**Other Services £ m**	**Schools £ m**	**Total £ m**
Fees, charges and other service income	39.7	21.8	0.2	12.3	2.3	18.8	95.1
Government grants	4.6	2.7	0.0	0.1	187.9	275.1	470.4
Total income	44.3	24.5	0.2	12.4	190.2	293.9	565.5
Employee expenses	66.8	25.1	16.3	48.7	-5.9	194.7	345.7
Other service expenses	244.6	87.5	4.5	14.2	49.6	65.3	465.8
Support service recharges	19.2	8.1	2.9	-33.3	3.4	0.0	0.3
Total operating expenses	330.6	120.7	23.7	29.6	47.2	260.0	811.8
Cost of services	**286.3**	**96.2**	**23.5**	**17.2**	**-143.0**	**-33.9**	**246.3**

The report can be accessed via our committee administration system at www.warwickshire.gov.uk.

Segmental reporting analysis 2012/13	**People Group £ m**	**Communities Group £ m**	**Fire and Rescue Service £ m**	**Resources Group £ m**	**Other Services £ m**	**Schools £ m**	**Total £ m**
Fees, charges and other service income	39.4	22.8	0.7	12.8	1.7	20.0	97.4
Government grants	5.6	4.5	0.0	0.0	46.2	282.3	338.6
Total income	**45.0**	**27.3**	**0.7**	**12.8**	**47.9**	**302.3**	**436.0**
Employee expenses	77.1	23.0	16.1	46.8	-5.3	206.0	363.7
Other service expenses	222.3	72.4	5.1	12.9	39.0	75.0	426.7
Support service recharges	19.9	6.6	0.9	-31.8	5.0	0.0	0.6
Total operating expenses	**319.3**	**102.0**	**22.1**	**27.9**	**38.7**	**281.0**	**791.0**
Cost of services	**274.3**	**74.7**	**21.4**	**15.1**	**-9.2**	**-21.3**	**355.0**

Table may not sum due to roundings

Reconciliation of Group income and expenditure to cost of services in the Comprehensive Income and Expenditure Statement

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

2012/13 £	Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2013/14 £ m
355.0	Cost of services in service analysis	246.3
19.6	Add amounts not reported to management	83.4
1.9	Remove amounts reported to management not included in CIES	118.2
376.5	**Net cost of services in CIES**	**447.9**

Reconciliation to subjective analysis - 2013/14	Service analysis £ m	Not reported to management £ m	Not included in CIES £ m	Net cost of services £ m	Corporate amounts £ m	Total £ m
Fees, charges and other service income	95.1	0.0	-11.4	83.7	11.4	95.1
Government grants and contributions	470.4	5.2	-167.9	307.7	216.2	523.9
Interest and investment income	0.0	0.0	-1.1	-1.1	1.1	0.0
Income from council tax	0.0	0.0	0.0	0.0	213.0	213.0
Total income	**565.5**	**5.2**	**-180.4**	**390.3**	**441.7**	**832.0**
Employee expenses	345.7	12.2	0.0	357.9	0.0	357.9
Other service expenses	465.8	10.3	-62.2	413.9	41.8	455.7
Support service recharges	0.3	0.0	0.0	0.3	0.0	0.3
Impairment and revaluation losses	0.0	66.1	0.0	66.1	0.0	66.1
Interest payments	0.0	0.0	0.0	0.0	19.1	19.1
Precepts and levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	34.2	34.2
Total operating expenses	**811.9**	**88.6**	**-62.2**	**838.2**	**95.3**	**933.5**
Surplus (-)/deficit on the provision of services	**246.3**	**83.4**	**118.2**	**447.9**	**-346.4**	**101.5**

Reconciliation to subjective analysis - 2012/13 (restated)	Service analysis £ m	Not reported to management £ m	Not included in CIES £ m	Net cost of services £ m	Corporate amounts £ m	Total £ m
Fees, charges and other service income	95.9	0.0	-11.0	84.9	11.0	95.9
Government grants and contributions	338.6	8.2	-46.2	300.6	191.3	491.9
Interest and investment income	1.5	0.0	-1.5	0.0	1.5	1.5
Income from council tax	0.0	0.0	0.0	0.0	234.4	234.4
Total income	**436.0**	**8.2**	**-58.7**	**385.5**	**438.2**	**823.7**
Employee expenses	363.7	5.3	0.0	369.0	0.0	369.0
Other service expenses	426.7	14.8	-56.8	384.7	40.0	424.7
Support service recharges	0.6	0.0	0.0	0.6	0.0	0.6
Depreciation, amortisation and impairment	0.0	7.7	0.0	7.7	0.0	7.7
Interest payments	0.0	0.0	0.0	0.0	19.4	19.4
Precepts and levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	29.1	29.1
Total operating expenses	**791.0**	**27.8**	**-56.8**	**762.0**	**88.7**	**850.7**
Surplus (-)/deficit on the provision of services	**355.0**	**19.6**	**1.9**	**376.5**	**-349.5**	**27.0**

Note 8: Property, plant and equipment

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2013	640.3	7.2	55.3	433.5	3.5	28.8	1,168.6
Depreciation balance at 1 April 2013	-62.8	0.0	-33.0	-101.4	-0.3	0.0	-197.5
Net book value at 1 April 2013	**577.5**	**7.2**	**22.3**	**332.1**	**3.2**	**28.8**	**971.1**
Changes in the year							
~ reclassifications	-17.1	-0.5	0.0	0.0	0.0	0.0	-17.6
~ spending on assets	18.9	0.0	3.5	26.0	0.4	16.2	65.1
~ transfer of assets under construction to operational assets on project completion	14.6	0.0	0.0	8.9	0.0	-23.6	0.0
~ value of assets we have sold/transferred	-41.0	0.0	-2.3	0.0	0.0	-0.2	-43.5
~ changes in the value of assets: revaluation	-121.5	-3.2	0.0	0.0	-0.7	0.0	-125.4
~ reversal of prior year impairments	40.4	0.2	0.0	0.0	0.1	0.0	40.7
Depreciation							
~ opening balance adjustment	-1.0	-0.1	1.1	0.0	0.0	0.0	0.0
~ reclassifications	0.3	-0.3	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	84.9	0.4	0.0	0.0	0.4	0.0	85.6
~ depreciation written off on disposal	4.3	0.0	2.1	0.0	0.0	0.0	6.5
~ depreciation	-26.8	0.0	-5.7	-14.5	-0.1	0.0	-47.1
Net book value at 31 March 2014	**533.5**	**3.7**	**21.0**	**352.5**	**3.3**	**21.2**	**935.4**
Gross book value at 31 March 2014	534.6	3.7	56.5	468.4	3.3	21.2	1,087.8
Depreciation balance at 31 March 2014	-1.1	0.0	-35.5	-115.9	0.0	0.0	-152.4
Net book value at 31 March 2014	**533.5**	**3.7**	**21.0**	**352.5**	**3.3**	**21.2**	**935.4**

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2012	665.9	12.1	52.7	407.8	2.7	17.0	1,158.2
Depreciation balance at 1 April 2012	-52.3	0.0	-28.9	-87.8	-0.2	0.0	-169.2
Net book value at 1 April 2012	**613.6**	**12.1**	**23.8**	**320.0**	**2.5**	**17.0**	**989.0**
Changes in the year							
~ reclassifications	-0.5	-4.7	0.0	0.0	0.6	-0.1	-4.7
~ spending on assets	19.2	0.0	3.2	21.8	0.2	20.7	65.1
~ transfer of assets under construction to operational assets on project completion	3.0	0.0	1.3	3.8	0.0	-8.8	-0.7
~ value of assets we have sold/transferred	-30.9	0.0	-1.9	0.0	0.0	-0.1	-32.9
~ changes in the value of assets: revaluation	-16.4	-0.2	0.0	0.0	0.0	0.0	-16.6
Depreciation							
~ reclassifications	0.1	0.0	0.0	0.0	-0.1	0.0	0.0
~ depreciation written off on revaluation	10.5	0.0	0.0	0.0	0.0	0.0	10.5
~ depreciation written off on disposal	3.7	0.0	1.8	0.0	0.0	0.0	5.5
~ depreciation	-24.8	0.0	-5.8	-13.6	-0.1	0.0	-44.3
Net book value at 31 March 2013	**577.5**	**7.2**	**22.3**	**332.1**	**3.2**	**28.8**	**971.1**
Gross book value at 31 March 2013	640.3	7.2	55.3	433.5	3.5	28.8	1,168.6
Depreciation balance at 31 March 2013	-62.8	0.0	-33.0	-101.4	-0.3	0.0	-197.5
Net book value at 31 March 2013	**577.5**	**7.2**	**22.3**	**332.1**	**3.2**	**28.8**	**971.1**

Tables may not sum due to roundings

Our land and building assets includes schools, fire stations, libraries, waste disposal sites and other buildings. Our expenses on sale of assets are funded through the Capital Fund.

Depreciation – see accounting policies on page 28

Capital commitments

At 31 March 2014, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2014/15 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for totals £16.6 million. Similar commitments at 31 March 2013 were £14.7 million.

The largest outstanding commitments are as follows.

1 British Telecom (roll out of superfast broadband) - £9.5 million
2 Coten End Primary School - £2.2 million
3 Lillington Primary School - £0.9 million
4 NUCKLE (Coventry to Nuneaton rail upgrade) - £0.7 million
5 All Saints Junior School - £0.6 million
6 Stratford footbridge - £0.6m

Effects of changes in estimates

There have been no material changes to our accounting estimates for property, plant and equipment in 2013/14.

Revaluations
Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS). Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations alongside any external valuers appointed by the Council.

The closing balances on 31 March 2014 were valued in the following ways.

- Land and buildings are included in the balance sheet at their open-market value based on their existing use. However, where there is insufficient market valuation evidence, some land and buildings, for example schools, are included in the Balance Sheet at a depreciated replacement cost. Surplus assets which are not likely to be disposed of in the next twelve months are valued as their previous use.
- We have included assets that we do not use in our day-to-day work, including investment properties and assets we intend to sell within the next twelve months, in the balance sheet at their open-market value. These assets are revalued every year.
- We have included infrastructure assets, such as roads and bridges, community assets and vehicles and equipment in the Balance Sheet at the amount they cost when we bought them less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value.
- Where heritage assets, defined as assets preserved in trust for their cultural, environmental or historical associations, have been identified within previously recognised operational assets, their values have been left in the original designations. For heritage assets not previously recognised in operational assets, we have sought a valuation where the cost of obtaining this was commensurate with the benefit to the authority.

We revalue all those fixed assets which are held at a value other than depreciated historic cost, at least once every five years. In 2008/09 we carried out a full revaluation of all our land and building assets. All revaluations in 2013/14 have been carried out by Council RICS qualified staff. We adjust for any major changes to the value of assets as they happen, whether due to events affecting groups of assets or single assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them, we add the difference to the Revaluation Reserve.

Note 9: Heritage assets

The net book value of the heritage assets we hold is £4.0 million (£3.9m in 2012/13). This increase is due to revaluations. There have been no significant acquisitions during 2013/14 and there have not been any significant disposals of heritage assets over that five year period.

Details of our recognition and valuation policy in relation to heritage assets is shown in our accounting policies on page 26 More detailed information about the specific heritage assets we hold is on our web-site warwickshire.gov.uk

Note 10: Investment properties

We have classified a number of properties as investment properties most of which are leased out to third parties under operating leases i.e. they are held with the specific purpose of generating income.

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:

31 March 2013 £ m	Investment properties	31 March 2014 £ m
-0.2	Direct operating expenses arising from investment property	-0.3
-0.2	**Net gain/loss (-)**	**-0.3**

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

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

31 March 2013 £ m	Investment properties	31 March 2014 £ m
23.0	Balance at the start of the year	20.5
-5.4	Opening balance adjustment	0.0
0.0	Reclassifications	16.8
0.9	Additions	0.1
0.0	Disposals	-12.9
-2.3	Net gains/losses (-) from fair value adjustments	1.0
4.3	Transfer to (-)/from property, plant and equipment	0.0
20.5	**Balance at the end of the year**	**25.5**

Note 11: Intangible Assets

We account for our software as intangible assets, to the extent that the software is not an integral part of a particular IT system and is accounted for as part of the hardware item of property, plant and equipment. The intangible assets include both purchased licences and internally generated software.

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 suite for HR and the financial suite is 10 years. They are valued at historic cost.

We do not hold any patents. We incurred spending on a number of software licences and development of £0.1 million in 2013/14 (£1.1 million in 2012/13). We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years) as above. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.5 million charged to revenue in 2013/14 was charged to a number of services, some of which absorbed as an overhead and charged across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on intangible asset balances during the year is as follows:

Software licences we have bought 2012/13 £ m	Intangible assets	Software licences we have bought 2013/14 £ m
2.8	Gross book Value at 1 April	3.9
-1.4	Amortisation balance at 1 April	-1.7
1.4	**Net book value at 1 April**	**2.2**
	Changes in the year	
0.5	~ Spending on assets	0.1
0.6	~ Transfer from work in progress to complete	0.0
0.0	~ Value of assets we have sold	-0.3
	Amortisation	
0.0	~ Opening balance adjustment	-0.1
0.0	~ Depreciation written off on disposal	0.2
-0.3	~ Amortisation	-0.4
2.2	**Net book value at 31 March**	**1.7**
3.9	Gross book Value at 31 March	3.7
-1.7	Amortisation balance at 31 March	-2.0
2.2	**Net book value at 31 March**	**1.7**

Note 12: Financial instruments

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

Borrowings and investments	31 March 2013			31 March 2014		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
~ Cost of financial liabilities	102.3	386.2	488.5	74.5	383.5	458.0
~ Financial liabilities at fair value	102.3	452.0	554.3	74.7	426.5	501.2
Total borrowings	**102.3**	**452.0**	**554.3**	**74.7**	**426.5**	**501.2**
~ Loans and receivables at fair value	156.8	0.1	156.9	119.4	0.1	119.5
~ Available-for-sale financial assets at fair value	0.0	0.1	0.1	0.0	0.0	0.0
Total investments	**156.8**	**0.2**	**157.0**	**119.4**	**0.1**	**119.5**

Interest paid and investment income received	Interest expense		Investment income		Gain or loss on valuation	
	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m	2013/14 £m	2012/13 £m
~ Financial liabilities	-19.1	-19.4	0.0	0.0	0.0	0.0
~ Financial assets (loans and receivables)	0.0	0.0	1.1	1.4	0.0	0.0
~ Financial assets (available for sale)	0.0	0.0	0.0	0.0	-0.1	0.0

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments.

In assessing fair value we have made the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 13: Debtors

31 March 2013 Restated £ m	Short-term debtors	31 March 2014 £ m
6.3	Central Government bodies	6.3
0.0	~ less bad debts	-0.2
5.0	VAT (due to us)	3.5
5.3	Other local authorities	3.4
0.0	Health Service bodies	1.6
0.0	Collection Fund debtors (billing authorities)	1.3
7.5	Council tax debtors	8.2
-1.6	~ less bad debts	-2.0
0.0	NNDR debtors	0.5
0.0	~ less bad debts	-0.2
30.9	Other entities and individuals	24.2
-1.7	- less bad debts	-1.1
51.7	**Balance at the end of the year**	**45.5**

Note 14: Cash and cash equivalents

31 March 2013 £ m	Cash and cash equivalents	31 March 2014 £ m
12.6	Cash held by the authority (including schools and imprest accounts)	15.8
10.0	Bank current accounts (call accounts and instant access deposit accounts)	44.6
100.6	Short-term deposits with building societies and other institutions less than 3 months maturity	91.8
123.2	**Total cash and cash equivalents**	**152.2**

Note 15: Assets held for sale

31 March 2013 £ m	Current assets held for sale	31 March 2014 £ m
3.5	Balance outstanding at start of year	0.7
0.2	Assets newly classified as held for sale:	0.8
0.0	Spending on assets	0.1
-0.2	Revaluation losses	-0.1
-2.8	Assets sold	-0.6
0.7	**Balance outstanding at year end**	**0.9**

Note 16: Creditors

31 March 2013 (Restated) £ m	Creditors	31 March 2014 £ m
8.1	Central Government bodies	8.6
5.8	Other local authorities	4.6
0.4	Health Service bodies	1.9
0.0	Public corporations and trading funds	0.1
2.2	Council tax overpayments and prepayments	2.4
0.0	Business rates overpayments and prepayments	0.3
4.7	Accumulated absences accruals (IFRS)	6.6
3.9	Collection Fund amounts owed to billing authorities - council tax	0.9
0.0	Collection Fund amounts owed to billing authorities - business rates	0.1
66.2	Other entities and individuals	49.9
91.3	**Balance at the end of the year**	**75.4**

Note 17: Provisions

Our provisions total £5.2 million (£6.6 million 2012/13).

We have had to plan to reduce our staff numbers to deliver our savings programme over the next four years. We have accounted for these employment costs but only where the decisions taken are irreversible.

Our former liability insurers, Municipal Mutual Insurance (MMI) went into run-off (ceased to write new business) on 30 September 1992, following which a contingent Scheme of Arrangement became effective on January 1994 to ensure a smooth run-off should MMI subsequently be declared insolvent. In the event of the Scheme being triggered, claims paid by MMI after 30 September 1992 will be liable to claw back, at a percentage to be determined by the administrators, with subsequent claims to be paid in part at the same percentage. A recent Supreme Court judgement relating to establishment of liability arising from mesothelioma claims under employers' liability policies has resulted in the increased possibility of the Scheme being triggered. We have set aside £2.4 million to cover the claw back and the outstanding claims.

We have to account for our share of non domestic rating appeals that are still to be resolved by the Valuation Office Agency (VOA) for the District and Borough Councils in Warwickshire. We have been informed that the VOA plan to have to have cleared all outstanding appeal decisions by summer 2015, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £1.5 million.

All other provisions, totalling £1.3 million, are individually insignificant.

Note 18: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement and in notes 1 and 2. A summary of revenue and capital usable reserves is shown below:

31 March 2013 £ m	Usable reserves	31 March 2014 £ m
18.8	General Fund	18.4
87.5	Earmarked Reserves	98.5
0.4	Capital Fund	0.9
0.0	Capital Receipts Reserve	0.0
3.4	Capital Grants Unapplied	7.3
110.1	**Total usable reserves**	**125.1**

Note 19: Unusable Reserves

31 March 2013 £ m	Unusable reserves	31 March 2014 £ m
137.7	Revaluation Reserve	173.0
522.4	Capital Adjustment Account	473.0
0.4	Financial Instruments Adjustment Account	0.3
0.1	Available for Sale Financial Instruments Reserve	0.0
-4.7	Accumulated Absences Reserve	-6.6
-0.1	Collection Fund Adjustment Account	2.5
-657.7	Pensions Reserve	-665.4
-1.9	**Total unusable reserves**	**-23.2**

Revaluation Reserve

The Revaluation Reserve contains the gains we have made arising from increases in the value of our 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 the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £ m	Movement in the capital reserves and accounts - Revaluation Reserve	2013/14 £ m
139.0	Balance on 1 April	137.7
-5.4	Opening balance adjustments	0.0
0.0	Revaluation increases	43.0
-0.3	Revaluation decreases	-13.2
0.0	Reversal of previous impairments	0.0
1.9	Impairment offsets against Revaluation Reserve	37.3
4.3	Depreciation adjustment to Revaluation reserve	-12.8
-1.8	Value of asset disposals	-19.0
137.7	**Balance on 31 March**	**173.0**

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 the financing of the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment and revaluation 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 we set aside as finance for the costs of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on investment properties and gains recognised on donated assets that we have yet to consume.

The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £ m	Movement in the capital reserves and accounts - Capital Adjustment Account	2013/14 £ m
525.9	Balance on 1 April	522.4
-10.2	Revaluation decrease	-65.1
-4.3	Depreciation adjustment to Revaluation Reserve	12.8
-27.1	Value of asset disposals	-15.4
-14.8	Transfer of spending on assets we do not own	-10.3
-18.9	Transfers to and from the revenue account	-17.4
71.8	Money used to buy assets	46.0
522.4	**Balance on 31 March**	**473.0**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. We use the Account to manage the discounts received on the early redemption of debt.

We have not received any discounts or paid any premiums in 2013/14.

31 March 2013 £ m	Financial Instruments Adjustment Account	31 March 2014 £ m
0.5	Balance on 1 April	0.4
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	-0.1
0.4	**Balance on 31 March**	**0.3**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains we have made arising from increases in the value of our investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

31 March 2013 £ m	Available for Sale Financial Instruments Reserve	31 March 2014 £ m
0.1	Balance on 1 April	0.1
0.0	Downward revaluation of investments not charged to Surplus/Deficit on the Provision of Services	-0.1
0.1	**Balance on 31 March**	**0.0**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. 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.

31 March 2013 £ m		Movement in Accumulated Absences Account	31 March 2014 £ m	
	-8.1	Balance at 1 April		-4.7
8.1		Settlement or cancellation of accrual made at the end of the preceding year	4.7	
-4.7		Amounts accrued at the end of the current year	-6.6	
	3.4	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-1.9
	-4.7	**Balance at 31 March**		**-6.6**

Collection Fund Adjustment Account

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

31 March 2013 £ m	Movement in Collection Fund Adjustment Account	31 March 2014 £ m
-0.2	Balance at start of year	-0.1
0.1	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3.7
0.0	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements	-1.1
-0.1	**Balance at end of year**	**2.5**

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. We account 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 to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed, as we make employer's contributions to pension funds or eventually pay any pensions for which we are 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 we have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

31 March 2013 Restated	Pensions Reserve	31 March 2014
-366.5	LGPS	-372.8
-223.4	Firefighters	-217.4
-50.7	Teachers Discretionary	-50.9
-17.1	Firefighters Injury Awards	-24.3
-657.7	**Balance at 31 March**	**-665.4**

Note 20: Cash Flow Statement – operating activities

31 March 2013 £ m	Cash flows from operating activities	31 March 2014 £ m
	Cash Inflows from operating activities:-	
234.4	~ Council tax receipts	209.3
102.5	~ Business rates receipts	56.5
2.0	~ Revenue Support Grant	84.2
347.9	~ other Government grants (Note 23)	332.9
61.7	~ cash received for goods and services	105.5
1.5	~ interest received	1.1
	Cash Outflows from operating activities:-	
-383.5	~ cash paid to and on behalf of employees	-345.7
-310.2	~ other operating cash payments	-401.8
-19.4	~ interest paid	-28.8
36.9	**Total net cash flows from operating activities**	**13.2**

Note 21: Cash Flow Statement – investing activities

31 March 2013 £ m	Cash flows from investing activities	31 March 2014 £ m
-64.0	Purchase of property,plant and equipment, investment property and intangible assets	-68.0
23.4	Proceeds or purchase (-) of short-term and long-term investments	29.4
0.4	Other receipts or payments (-) for investing activities	0.2
1.3	Proceeds from the sale of property, planty and equipment, investment property and intangible assets	15.6
32.8	Other receipts from investing activities - capital grants	44.2
-6.1	**Net cash flows from investing activities**	**21.4**

Note 22: Cash Flow Statement – financing activities

31 March 2013 £ m	Cash flows from financing activities	31 March 2014 £ m
0.6	Cash receipts of short-term and long-term borrowing	0.0
-0.1	Repayments of short and long term borrowing	-5.5
-0.1	Cash payments for the reduction of outstanding liabilities in relation to finance leases	-0.1
0.4	**Net cash flows from financing activities**	**-5.6**

Note 23: Grant Income

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

Actual income 2012/13 £ m	Grant income	Awarding department	Actual income 2013/14 £ m
	Revenue grants credited to Services (cash received in the year):		
264.0	Dedicated Schools Grant	DfE	254.7
6.3	Pupil Premium Grant	DfE	9.0
1.0	Music Grant/Music Education Hub	DfE	0.8
0.0	Adoption Reform Grant	DfE	0.3
11.3	Sixth Form Funding	EFA	9.3
0.7	Other Schools Grants	Various	1.7
2.2	Asylum seekers	HO	1.4
0.1	Drug Intervention Programme	HO	0.0
0.0	Public Health Grant	DH	21.2
0.9	Tackling Troubled Families	CLG	0.0
0.0	Central Warwickshire Leader	CLG	0.3
0.5	Private Finance Initiative	CLG	0.0
1.7	Adult & Community Leaning	BIS	1.7
0.2	Stratford Parkway Grant	DfT	0.7
0.0	Bus Service Operators Grant	DfT	0.2
0.0	Bikeability Grant	DfT	0.1
2.4	Rural Growth Network	DEFRA	0.0
0.0	Flood Resilience	DEFRA	0.2
1.4	Other revenue grants		0.1
292.7	**Total revenue grants**		**301.7**
	Capital grants and contributions credited to services:		
5.7	Academy Grant	DfE	4.0
0.0	Targeted Basic Need	DfE	0.1
0.8	Devolved Formula Capital	DfE	0.6
0.0	Contribution from diocesan schools		0.1
0.0	Contribution from other local authorities		0.1
0.2	Private developer funding		0.1
1.5	Other grants/contributions		0.2
8.2	**Total capital grants and contributions**		**5.2**
300.9	**Total**		**306.9**

Actual income 2012/13 £ m	Grant income	Awarding department	Actual income 2013/14 £ m
	Credited to Taxation and Non Specific Grant Income- cash received in the year:		
19.1	Early Intervention Grant	DfE	0.0
0.0	Adoption Reform Grant	DfE	0.9
0.0	Eduction Services Grant	EFA	7.1
8.0	NHS Section 256 Grant	DH	8.0
12.0	Learning Disability Reform Grant	DH	0.0
1.1	Local Services Support Grant	CLG	0.6
5.9	Council Tax Freeze Grant	CLG	2.3
0.7	New Homes Bonus	CLG	1.6
0.0	Council Tax Reform Grant	CLG	0.4
0.0	Tackling Troubled Families	CLG	1.2
0.2	Other Grants		1.6
0.0	Severe Weather Recovery	DfT	1.2
0.0	Local Welfare Fund	DWP	1.1
47.0	**Total revenue grants**		**26.0**
	Capital grants and contributions:		
1.7	Devolved Formula Capital	DfE	2.3
0.0	Learning and Achievement Growth Fund	DfE	0.2
9.2	Schools Basic Need	DfE	3.5
6.6	Schools Maintenance	DfE	5.8
0.0	Targeted Basic Need Funding	DfE	4.1
0.0	Academy Grant	EFA	0.2
0.0	Community Capacity Grant	DH	1.2
1.2	Adult Social Care PSS Capital Grant 2012/13	DH	0.0
0.2	Football Foundation Grant	DH	0.0
0.0	Public Health Grant	DH	0.1
0.0	Fire Capital Grant	CLG	0.8
-11.8	Growing Places	CLG	0.0
13.5	Local Transport Plan	DfT	15.3
0.0	Flood Grant	DfT	0.7
0.0	Contribution from other local authorities		2.1
10.1	Private developer funding		6.5
6.9	Other grants/contributions		1.9
37.6	**Total capital grants**		**44.7**
84.6	**Total**		**70.7**

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.

The balances at year end are as follows:

31 March 2013 £ m	Grant receipts in advance	Awarding department	31 March 2014 £ m
	Revenue grant receipts in advance		
0.5	Common Assessment Framework Demonstrator Grant	DH	0.0
0.9	NHS Section 256 Grant	DH	0.0
0.0	Adult and Community Learning	BIS	0.2
0.1	Pupil Premium Grant	DfE	0.0
0.3	Other grants		0.0
1.8	**Total revenue grants**		**0.2**
	Capital grant receipts in advance		
4.0	Devolved Formula Capital	DfE	2.4
1.9	Academy Grant	DfE	0.0
0.0	Public Health Grant	DH	0.2
0.0	Pinch Point Grant	DfT	0.6
11.9	Private developer funding		9.9
0.5	Other grants/contributions		0.2
18.3	**Total capital grants**		**13.3**
20.1	**Total**		**13.5**

Awarding departments
BIS is the Department Business Innovation and Skills
CLG is the Department for Communities and Local Government
DEFRA is the Department for the Environment, Food and Rural Affairs
DfE is the Department for Education
DfT is the Department for Transport
DH is the Department of Health
DWP is the Department for Work and Pensions
EFA is the Education Funding Agency
HO is the Home Office

Note 24: Accounting standards issued that have not yet been adopted

The following accounting standards have been issued but not yet adopted:

- IFRS 13 Fair Value measurement - Requires authorities to review their current measurements of property, plant and equipment, and for some authorities, re-measurement of particular assets. The implementation of this has now been deferred until 2015/16 by CIPFA/LASAAC.
- IFRS 10 Consolidated Financial Statements - Outlines the requirements for the preparation and presentation of consolidated financial statements, requiring an entity to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investment in Associates and Joint Ventures

- IAS 32 Financial Instruments: Presentation – amended guidance when offsetting financial assets and financial liabilities
- IAS 1 Presentation of Financial Statements

We are not required to adopt these standards under the Code of Practice on Local Authority Accounting 2013/14 and it is not expected that the implementation of these standards will have a material effect on our financial statements when implemented.

Note 25: Acquired or discontinued operations

On 1 April 2013 public health staff were transferred from Primary Care Trusts (PCTs) to local authorities. To fund this new public health responsibility we have been provided with a ring-fenced public health grant. This new acquired operation is shown separately on the face of the Comprehensive Income and Expenditure Statement. Staff who transferred from the PCT retained their access to the NHS Pension Scheme and we have accounted for this scheme on a defined contribution basis. All employee and employer contributions are paid over to the NHS.

Note 26: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions we have made 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 our Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.6 million for every year that useful lives are reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, 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 effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £114.6 million. During 2013/14, our actuaries advised that the net pensions' liability has increased by £7.7 million as a result of estimates being corrected, experience losses and updating of the assumptions.

Note 27: Authorisation for issue

These accounts have taken into account all known events up to 25 September 2014. On that date the accounts were authorised for issue by the Head of Finance.

John Betts
Head of Finance

Note 28: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance lease), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets used, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically has yet to be financed. The CFR is analysed in the second part of this note.

2012/13 £ m	Capital financing requirement (IFRS)	2013/14 £ m
355.6	Opening requirement	338.0
	Capital investment	
65.1	- Property, Plant & Equipment	65.0
0.5	- Intangible Assets	0.1
0.9	- Investment Property	0.1
0.0	- Held For Sale	0.1
14.8	- Revenue spending from capital under statute	10.3
81.3	**Total capital investment**	**75.6**
	Sources of finance	
-1.3	- Capital receipts	-16.2
-71.9	- Government grants and other contributions	-46.0
	- Sums set aside from revenue:	
-8.1	- Direct revenue contributions	-13.4
-17.6	- MRP/loans fund principal	-16.7
-98.9	**Total sources of income**	**-92.3**
338.0	**Closing capital financing requirement**	**321.3**

2012/13 £ m	Explanation of Movements in the year	2013/14 £ m
-17.6	Increase in underlying need to borrow	-16.6
0.0	Assets acquired under finance leases	-0.1
-17.6	**Increase/decrease(-) in Capital Financing Requirement**	**-16.7**

For details of our funding for capital see the foreword on page 14

Note 29: Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 23 to 30, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, we have determined that this uncertainty is not yet sufficient to provide an indication that our assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

- A number of schools from which we have provided educational services in the year are not held as assets on our Balance Sheet. The issue of how to account for these schools under the requirements of IFRS is a matter of ongoing debate within CIPFA, and whilst awaiting clear guidance, we have chosen to maintain a consistent approach with our prior treatment of these assets. Hence we do not include the land or buildings of academies, foundation or trust schools in our Balance Sheet, and only include the playing fields associated with voluntary aided and voluntary controlled schools. This approach is based on the definitions of these school types contained within the Schools Standards and Frameworks Act 1998 and the Academies Act 2010.

- When a school that is held on our Balance Sheet transfers to academy status we account for this as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed.

Note 30: Dedicated Schools' Grant

In line with the requirements of the Accounts and Audit (England) Regulations 2006, we can confirm that the Dedicated Schools' Grant received in 2013/14 was £255.2 million (made under section 14 of the Education Act 2002) and has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45a, 45aa, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of schedule 14 to, the Schools Standards and Framework Act 1998.

Our spending on schools is funded by money from the Department for Education. The grant is ring-fenced, which means we can only use it to meet spending that is included in the schools' budget. The schools' budget includes a limited range of services that are provided across the authority and for the individual school budget which is divided into a budget share for each school. The overspending and underspending on the two parts need to be accounted for separately.

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The underspend of £1.0 million for 2013/14 with the brought forward of £0.2 million gives the total net underspend to be carried forward of £1.2 million. The DSG figure is as issued by the Department for Education in July 2013 and does not include the early years adjustment in January 2014.

2012/13 Total £ m		2013/14 Central Spending £ m	Individual schools budget (ISB) £ m	Total £ m
345.4	Final DSG for the year before Academy recoupment	58.9	293.9	352.8
-81.4	Less Academy recouped for the year	0.0	-97.6	-97.6
264.0	Total DSG after Academy recoupment for the year	58.9	196.3	255.2
1.7	Plus DSG brought forward from the previous year	0.2	0.0	0.2
265.7	Agreed initial budgeted distribution in the year	59.1	196.3	255.4
265.7	Final budgeted DSG distribution for the year	59.1	196.3	255.4
-45.6	Actual central spending for the year	-58.2	0.0	-58.2
-219.9	Actual ISB deployed to schools	0.0	-196.3	-196.3
0.0	Our contribution in the year	0.3	0.0	0.3
0.2	**Under spend for the year (carried forward)**	**1.2**	**-0.0**	**1.2**

Note 31: Events after the Balance Sheet date

Academies

As a result of the Government's white paper 'The importance of Teaching', which allows Schools to opt out of local government control by becoming academies, a number of Warwickshire schools have chosen to take up the new academy status in 2013/14 and a further number of Warwickshire schools are anticipated to also convert to academy status in 2014/15 and beyond.

During 2013/14 six community schools and nine voluntary controlled or aided schools became academies. A total of seven community schools, three foundation schools and fourteen voluntary controlled or voluntary aided schools have applied or are applying to the Department for Education to convert to academy status after 1 April 2014. In addition the new school on the Manor Park site will also be an academy. This is based on information as at 17 September 2014.

The significance of the conversion from community school to academy is that the value of the land, buildings and any vehicles, plant and equipment will be removed from our Balance Sheet at the date of conversion.

For schools which were previously voluntary aided and voluntary controlled, we currently only carry the value of vehicles, plant and equipment and playing fields in our Balance Sheet and these will be derecognised from the date of conversion. For foundation and trust schools the change to academy status will not represent a change to our treatment in our accounts because under the IFRS Code we do not hold the value of assets at these schools on our Balance Sheet.

The value of the derecognition of the current schools looking to convert to academy status after 31 March 2014 will be in the region of £53.2 million.

Note 32: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2012/13) for the year in relation to the audit of the Statement of Accounts and certification of grant claims provided by our external auditors.

Note 33: Leases

Authority as lessee

- Finance leases
  We have acquired some equipment under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet. These amounts are not material to the financial statements.
- Operating leases
  We have acquired a number of buildings, vehicles and items of equipment by entering into operating leases. These amounts are not material to the financial statements.

Authority as lessor

- Finance leases
  We do not have any finance leases as lessor.
- Operating leases
  We lease out property under operating leases for the following purposes:
  - For the provision of community services, such as community centres, homes for the elderly and disabled nurseries;
  - For economic development purposes to provide accommodation for local businesses;
  - For the support of rural businesses to support smallholdings and farming; and
  - To individuals for personal and business use.

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

31 March 2013 £ m	Operating lease period	31 March 2014 £ m
1.6	Not later than 1 year	1.7
4.0	Later than 1 year and not later than 5 years	4.5
9.8	Later than 5 years	10.3
15.4	**Total**	**16.5**

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 2013/14 £0.8 million contingent rents were receivable by the authority.

Note 34: Contingent assets

We are negotiating a deal with Coventry City Council and Solihull Borough Council to buy into a waste treatment plant. Signing the partnership agreement will result in a back dated reduction in price per tonne paid with our present contract in 2013/14. This rebate, totalling approximately £0.3 million has not been recognised because both Coventry City Council and Solihull Borough Council Members need to approve the buy in. This will not happen until after elections in 2014.

We are the lead authority for the Coventry and Warwickshire Business Rates Pool. Under the agreement that governs the Pool, any member that leaves is required to make good any deficits that we underwrite in the short-term. This payment, of up to £0.5 million, has not been recognised because all authorities are currently planning to remain in membership.

Note 35: Contingent liabilities

We are a partner of a special company for the 'Pride in Camp Hill Regeneration Initiative'. The company was set up in 2002/03. We have entered into an agreement with our partners the Homes and Communities Agency and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. We expect this to be completed by 2023. Each partner is committed to funding the running costs of the company in equal shares. Our share was £720,000 over the five years following this agreement. Also the partners have agreed to guarantee overdraft facilities of £100,000 with the company's bank, again to be shared equally by all partners.

A group of property search companies are threatening to issue legal claims against the Council, the value of which has not been validated and it is therefore not clear how much the council may be liable to pay.

We currently have a small number of claims lodged with the High Court in London in relation to equal pay.

Note 36: Members' allowances

Elected members were paid a total of £0.799 million (£0.832 million in 2012/13) in allowances and expenses. In addition we paid independent and co-opted members allowances and expenses of £0.013 million (£0.009 million in 2012/13). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2013/14 are available on our website www.warwickshire.gov.uk.

Note 37: Nature and extent of risk arising from financial instruments

Our activities expose us to a variety of financial risks:

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

Our overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out by a central treasury management team, under policies approved by the Council annually in the Treasury Management Strategy. We provide written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of short-term F1, long-term A, Individual B, support A.

Many of the invoices we raise are the result of statutory obligations. However, where we are providing non statutory goods or services to customers, we consider their ability to pay. A number of checks are available to cost centre managers and financial services managers as outlined in our Debt Recovery Best Practice Guide.

We have assessed our potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years. This has been adjusted to reflect current market conditions. However, there is no effect as there is no instance of institutions that meet our credit ratings defaulting in the last five years.

Liquidity risk

As we have ready access to borrowings from the Public Works Loan Board (PWLB), there is no significant risk that we will be unable to raise finance to meet our commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of our borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period.

The maturity analysis of financial liabilities is as follows:

On 31 March 2013 £ m	Loans we have not yet repaid	On 31 March 2014 £ m
	We owe money to:	
391.6	~ Public Works Loans Board	386.0
9.7	~ Public Works Loans Board - accrued interest	0.0
401.3	**Total**	**386.0**
	When we will pay the money back	
15.3	Less than 1 year	2.5
2.5	Between 1 and 2 years	5.1
31.2	Between 2 and 5 years	26.1
30.0	Between 5 and 10 years	30.0
322.3	More than 10 years	322.3
401.3	**Total**	**386.0**

Our level of borrowing is mainly due to paying for capital spending in previous years. We have not borrowed any money in 2013/14 to pay for this new capital spending.

We use cash reserves which we have set aside to support future years' revenue budgets to invest in the short term. We have included these as short-term investments on the Balance Sheet.

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

Market risk

We are exposed to significant risk in terms of our exposure to interest rate movements on our borrowings and investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

The treasury management team has an active strategy for assessing interest rates exposure that allows for any adverse changes to be incorporated into the budget on a quarterly basis. According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- A decrease in the fair value of fixed rate investment assets of £0.2 million (£0.2 million in 2012/13)
- A decrease in fair value of fixed borrowing of £65.9 million (£63.4 million in 2012/13).

Treasury management
We take into account the Department for Communities and Local Government guidance on local government investments issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes. Our investment priorities are the security of our capital and the liquidity of our investments.

We use the Fitch rating to derive our counterparty criteria. Where the counterparty does not have a Fitch rating, the equivalent Moody's (or other rating agency) rating is used. All credit ratings are consistently monitored. We are alerted to changes in the Fitch rating through our use of the Sector creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting our minimum criteria, then its further use as a new investment will be withdrawn immediately.

We aim to achieve the optimum return on our investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest and make a return is unlawful and we do not engage in such activity.

Our external fund managers comply with the Annual Investment Strategy. The agreement between us and the fund managers additionally stipulates additional guidelines and limits in order to manage risk.

Price risk
We have some shareholdings in related companies all of which have been derecognised in full prior to April 2006. Those shareholdings existed in the acquisition of specific interests and we are as such not in a position to diversify our portfolio. The current value of the shareholding is £0.046 million. This is classified as "available for sale" meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. In 2013/14 this amounted to a loss of £0.029 million.

Note 38: Officers remuneration and termination benefits

We are required to show the number of our staff who are paid more than £50,000 a year. This is shown in the table below. Pay includes salary, redundancy, travel and other costs. These figures do not include employer's pension contribution and exclude those for senior staff who are shown separately.

The figures for 2013/14 include eleven employees who transferred to us as part of the transfer of the responsibility for public health from the NHS to local authorities.

2012/2013		Remuneration	2013/2014					
Staff			Staff		Staff Left in the Year *		Revised Total	
Teaching	Other		Teaching	Other	Teaching	Other	Teaching	Other
93	30	£50,000 - £54,999	85	38	1	2	84	36
69	41	£55,000 - £59,999	63	44	1	2	62	43
37	10	£60,000 - £64,999	24	10	0	2	24	8
8	8	£65,000 - £69,999	12	9	0	2	12	7
11	13	£70,000 - £74,999	10	20	0	3	10	18
5	6	£75,000 - £79,999	4	0	0	0	4	0
1	3	£80,000 - £84,999	6	3	0	0	6	3
2	7	£85,000 - £89,999	1	11	0	1	1	10
2	0	£90,000 - £94,999	0	1	0	1	0	1
1	3	£95,000 - £99,999	2	0	0	0	2	0
1	0	£100,000 - £104,999	1	2	0	0	1	1
0	0	£105,000 - £109,999	0	1	0	0	0	1
230	**121**		**208**	**139**	**2**	**13**	**206**	**128**

The 2013/14 figures above exclude 11 agency/interim staff.

A number of employees left during 2013/14, incurring costs of £2.6 million (£1.3 million in 2012/13). Of this total none relates to senior staff. This cost includes 159 officers who have left as part of on-going savings and efficiency plans. See table below for details.

Exit Package Cost Band (including Special Payments)	Number of redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band £ millions	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	181	118	18	13	199	131	0.581	0.690
£20,001 - £40,000	28	28	0	7	28	35	0.692	0.930
£40,001 - £60,000	2	4	3	0	5	4	0.103	0.180
£60,001 - £80,000	0	4	0	0	0	4	0.000	0.274
£80,001 - £100,000	0	2	0	0	0	2	0.000	0.183
£100,001 - £150,000	0	3	0	0	0	3	0.000	0.369
	211	**159**	**21**	**20**	**232**	**179**	**1.376**	**2.626**

We are required to disclose the remuneration of senior employees, as defined by those regulations, by post for salaries under £150,000 and by name for those whose salary is over £150,000. Remuneration for senior staff includes the employer's contribution to the appropriate pension fund.

Post holder information (post title and name)		Salaries (including fees and Allowances) £	Taxable Expense Allowances £	Total excluding pension contributions £	Employer's Pension Contributions £	Total including pension contributions £
Chief Executive - Jim Graham	2012/13	172,866	270	173,136	26,794	199,930
	2013/14	172,866	74	172,940	27,659	200,599
Strategic Director, People Group	2012/13	123,178	201	123,379	19,093	142,472
	2013/14	126,505	227	126,732	20,273	147,005
Chief Fire Officer (1 April to 8 May) (note 1)	2012/13	120,054	2,200	122,254	25,572	147,825
	2013/14	12,499	754	13,253	2,681	15,934
Chief Fire Officer (9 May to 31 March) (note 2)	2013/14	110,452	5,493	115,945	29,270	145,215
Strategic Director, Communities	2012/13	123,178	133	123,311	19,093	142,404
	2013/14	127,027	19	127,046	20,324	147,370
Strategic Director, Resources	2012/13	127,027	40	127,067	19,689	146,756
	2013/14	127,027	2	127,029	10,162	137,191
Head of Public Health - Dr John Linnane (note 3)	2012/13	n/a	n/a	n/a	n/a	n/a
	2013/14	153,933	0	153,933	21,726	175,659
Head of Finance	2012/13	100,009	147	100,156	15,501	115,657
	2013/14	101,009	21	101,030	16,161	117,191
Total 2012/13		**766,312**	**2,990**	**769,302**	**125,741**	**895,043**
Total 2013/14		**931,318**	**6,590**	**937,908**	**148,256**	**1,086,164**

Table may not sum due to roundings

There were no bonuses paid in either year.

Note 1: The Chief Fire Officer left the authority on 8 May 2013. His annualised salary for the year was £120,054.

Note 2: The new Interim Chief Fire Officer was seconded from the London Fire Brigade from 9 May 2013. His annualised salary for the year was £123,388.

Note 3: The post of Director of Public Health is a new post from 1 April 2013 following the transfer of Public Health from the National Health Service. The standard salary for the Head of Public Health is £95,860. Additional payments for Clinical Excellence Award, Additional Programme Activity and the Director of Public Health role result in the total salary as shown in the table.

Note 39: Pension scheme

IAS 19 Accounting for pension costs: local authorities (The figures in brackets are the figures for 2012/13.)
This note provides the information we must give under IAS 19. The purpose of IAS19 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The movement in reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets for the LGPS, the Firefighters' Pension Scheme, the Firefighters' Injury Awards Scheme and the Discretionary Teachers' Scheme. This note applies as well as note 19 on reserves on page 44.

As part of the terms and conditions of employment of its officers and other employees, we offer retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

Under IAS 19, we show the cost of retirements benefits in 'Money spent on services' in the Comprehensive Income and Expenditure Statement when employees earn them. We have made adjustments in the Movement in Reserves Statement so that the charge made against the council tax reflects the actual cash we have paid relating to the year.

The table on page 67 shows details of the assumptions actuaries/GAD have made when estimating the liabilities and other figures included in this note. The movement in reserves (see table on page 69) sets out the actuarial gains and losses made in 2013/14.

On this basis, the balance sheet liability for each scheme and the increase/decrease in the shortfall is as follows:

Scheme net liability	**31 March 2013** **£m**	**31 March 2014** **£m**	**Increase/decrease (-) in net liability** **£m**
LGPS	366.5	372.8	6.3
Teachers Discretionary	50.7	50.9	0.2
Firefighters	223.4	217.4	-6.0
Firefighters Injury	17.1	24.3	7.2
All schemes	**657.7**	**665.4**	**7.7**

A table analysing the change in the present value of pension scheme liabilities is on page 68.

The liability arising from the IAS 19 calculations is notional and has no direct effect on our reserves or the employer's contributions. For unfunded schemes we pay the pensions or awards as they become due in the year.

A table analysing our pension scheme accounting on page 69 shows the transactions that have been reflected in the Comprehensive Income and Expenditure Statement during the year.

When we assessed our liabilities for retirement benefits as at 31 March 2014, we used a rate based on the current rate of return on a corporate bond and for a length of time that matched the scheme's liabilities. The actuary has advised that the rates shown below are appropriate and has adjusted the real rate to allow for inflation. Applying this rate has resulted in an increase in our liabilities, measured at today's prices, as shown in the table below.

Pension Scheme	**2012/13 Rate of Return** **%**	**2013/14 Rate of Return** **%**	**Change/ Difference in Liability** **£m**
Teachers	1.7% real (4.5% actual)	1.5% real (4.3% actual)	0.2
Fire-fighters	2.5% real (4.3% actual)	1.9% real (4.4% actual)	-6.0
Fire-fighters injury awards	2.5% real (4.3% actual)	1.9% real (4.4% actual)	7.2
LPGS	1.7% real (4.5% actual)	1.5% real (4.3% actual)	45.2
Total			**46.6**

Teachers

We operate a defined benefit pension scheme for our teaching staff, under the Superannuation Act 1972. The Teachers' Pensions Agency (TPA) manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The scheme provides teachers with a defined benefit when they retire. Although we employ teachers, their retirement and superannuation benefits are paid out of money provided by the Government. The Government sets teachers' and employers' contribution rates. Although the scheme is unfunded, the TPA uses an assumed fund to work out the contribution rate that local authorities must pay. In line with IAS19, we have therefore worked out these figures in the same way as for a defined contribution scheme.

The last actuarial valuation of the Teachers' Pension Agency (for all teachers) was in 2005 for the period 1 April 2001 to 31 March 2004. The Government Actuary's (GA) report of March 2003 revealed that the total liabilities of the scheme amounted to £166.5 billion. The value of assets (estimated future contributions, together with the proceeds from the notional investments held at the valuation date) was £163.2 billion. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. No contributions for the teachers' pension scheme needed to be paid at the end of the financial year.

There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2013/14, teachers paid 6.4% of their salary and we paid 14.1% of teachers' salaries (14.1% in 2012/13). A supplementary contribution is not needed at present. The total employers' contribution cost was £14.3 million in 2013/14 (£15.3 million in 2012/13).

Although we class the teachers' pension scheme as a defined contribution scheme under IAS19, we are responsible for paying any extra added years of benefits and early retirement costs to pensioners. Under IAS19, these extra costs are classed as defined benefits. As a result, in our accounts we need to show the extra cost of pensions' decisions we made in the current year, no matter when we will actually pay these financial costs.

There is no fund for teachers' discretionary benefits and so there are no assets. Our actuaries Hymans Robertson calculate our liabilities using the assumptions shown in the table on page 67 and their opinion on the life expectancy of people once they have retired.

We are responsible for all pension payments relating to added pensionable years we have awarded. In 2013/14, these came to £3.0 million (£2.9 million in 2012/13) and represented 3.0% (2.8% in 2012/13) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2013/14, these retirement costs were £0.3 million (£0.1 million in 2012/13). Under IAS19, we class these benefits as defined benefits and so the requirements of IAS19 apply.

The Firefighters' Pension Scheme

There is a defined-benefit pension scheme for our firefighters, under the Superannuation Act 1972.

The Firefighters' Pension Scheme in England is an unfunded scheme where the employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due.

We pay an employer's pension contribution based on a percentage of pay into the pension fund. Each fire and rescue authority must now run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. We pay firefighters' retirement and superannuation benefits and they are charged to the Firefighters' Pension Fund. The pension fund will be balanced to nil at the end of the year by either paying over to the government the amount by which the amount due to the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the government equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. This grant is paid to the Firefighters Pension Fund and not the County Council.

The employees' and employers' contribution rates are set by the Government and are currently 11.0%/8.5% (employees old scheme/new scheme) and 21.3%/11.0% (employers old scheme/new scheme) of firefighters' pay. In 2013/14, pension payments totalled £5.5 million (£5.2 million in 2012/13) and this was 59.7% (57.3% in 2012/13) of pensionable pay. We must pay any costs relating to early retirement. There were costs totalling £1.2 million in 2013/14.

The table on page 67 reflects the GAD's opinion on the life expectancy of people once they have retired.

Firefighters Injury Awards Scheme

On 1 April 2006 the firefighters' injury awards ceased to be a firefighters' pension liability and ongoing costs were to be financed from our revenue account. We recognised that there was an ongoing liability to pay injury awards and these are now included in our Balance Sheet.

This liability is subject to the same actuarial assumptions as the main firefighters' scheme. It is not a separate pension scheme as there is a benefit paid whether the recipient of the injury award is a member of the scheme or not. There is therefore no provision from any other source to finance this benefit. It is unfunded and met from the service revenue budget. However, the liability forms part of our overall pensions' liability.

We value liabilities at their present cost.

National Health Service Pension Scheme

During 2013/14 NHS staff transferred to us. These staff have maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and we contribute towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, we are not able to identify our share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 we paid £0.213 million to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees contributions of which £0.020 million was outstanding at the year end. Our contribution represents 14.0% of pensionable pay.

Local Government Pension Scheme - other employees

We operate a funded, defined-benefit pension scheme for our staff, under the Superannuation Act 1972 and the Local Government Regulations 1995. We manage the scheme for ourselves, the five district councils and a number of other organisations. We prepare the accounts in line with the CIPFA Code of Practice and they are separate from our financial statements.

The scheme provides pensions and other retirement benefits for employees, based on final salaries. The yearly funding cost of these pensions is based on valuations the fund's actuary makes every three years. Our costs are covered by both our and our staff's contributions.

In 2013/14, the contribution rates were based on the results of the 31 March 2010 actuarial valuation. As a result, our employer's contribution rate was 235% of the employees' contribution (228% for 2012/13).

In 2013/214, we made normal employer's contributions totalling £21.6 million (£20.2 million in 2012/13). This was 16.0% of pensionable pay (15.5% in 2012/13).

IAS19 says we must show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the assumptions in the table on page 67.

The post retirement mortality assumptions reflect the actuary's opinion on the life expectancy of people once they have retired, this year's assumptions are based on the SAPs birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with 1% pa long term trend.

The fair value of the authority's share of scheme assets are split as follows:

31 March 2014	**Quoted prices in active markets £ million**	**Quoted prices not in active markets £ million**	**Total £ million**	**Percentage of total assets**
Equity securities:				
Consumer	83.8		83.8	11%
Manufacturing	44.0		44.0	6%
Energy and utilities	18.8		18.8	2%
Financial institutions	37.1		37.1	5%
Health and care	15.6		15.6	2%
Information technology	27.4		27.4	3%
Other	23.1		23.1	3%
Private equity:				
All		8.5	8.5	1%
Real estate:				
UK property	73.0		73.0	9%
Overseas property	1.4		1.4	0%
Investment funds and unit trusts:				
Equities	223.1		223.1	29%
Bonds	122.5		122.5	16%
Hedge funds		35.4	35.4	5%
Other	66.1		66.1	8%
Cash and cash equivalents		3.2	3.2	0%
Totals	**735.8**	**47.2**	**782.9**	**100%**

31 March 2013	Quoted prices in active markets £ million	Quoted prices not in active markets £ million	Total £ million	Percentage of total assets
Equity securities:				
Consumer	77.9		77.9	10%
Manufacturing	42.7		42.7	6%
Energy and utilities	21.6		21.6	3%
Financial institutions	31.9		31.9	4%
Health and care	13.5		13.5	2%
Information technology	27.6		27.6	4%
Other	11.9		11.9	2%
Private equity:				
All		6.5	6.5	1%
Real estate:				
UK property	68.2		68.2	9%
Overseas property	1.6		1.6	0%
Investment funds and unit trusts:				
Equities	225.6		225.6	30%
Bonds	112.5		112.5	15%
Hedge funds		33.5	33.5	5%
Other	66.0		66.0	9%
Cash and cash equivalents		2.7	2.7	0%
Totals	**701.3**	**42.7**	**744.0**	**100%**

Our share of the Warwickshire LGPS Pension Fund assets and liabilities are:

31 March 2013 £ million	Local Government Pension Scheme	31 March 2014 £ million
744.0	Fair value of assets	782.9
-1,110.5	Present value of liabilities	-1,155.8
-366.5	**Shortfall**	**-372.9**

31 March 2013 £ million	Local Government Pension Scheme	31 March 2014 £ million
1,099.0	Assets at last valuation as at 31 March 2010	1,099.0
1,379.2	Assets	1,477.7

31 March 2013 (Restated) £ millions	Local Government Pension Scheme - change in fair value of scheme assets during the year	31 March 2014 £ millions
649.7	Fair value of assets at the beginning of the year	744.0
31.2	Interest income on plan assets	33.4
62.7	Remeasurements on assets	9.3
21.4	Employers' contributions (including receipts covering early retirements)	23.0
8.3	Member contributions	8.4
-29.3	Benefits/transfers paid	-35.2
744.0	**Fair value of assets at the end of the year**	**782.9**

There were re-measurements as a result of a difference between expected and actual returns on assets which amounted to 1.2% of the value of assets at 31 March 2014.

The actuarial valuation is carried out every three years. It assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund's projected assets and liabilities and the amount employers will have to contribute for the next three years. Therefore, the valuation on 31 March 2010 sets the rates for 2011/12, 2012/13 and 2013/14. The fund aims to set employers' contribution rates so that the projected assets equal at least 100% of the projected liabilities in the long term.

The actuarial valuation that relates to the employers' contribution rate for 2013/14 took place as at 31 March 2010. A subsequent valuation was carried out as at 31 March 2013 and the funding level reduced from 83% to 77%. As a result, the employers' rate increased from 1 April 2014 from 16.0% to 16.75%.

The value of the pension fund assets at 31 March 2014 is based on the market value at 31 December 2013. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the Balance Sheet date.

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2013/14, these came to £1.3 million (£1.3 million in 2012/13), which was 1.0% (1.0% in 2012/13) of pensionable pay.

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2014, but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes.

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

In order to calculate the long term expected return on assets, the Fund's actuary, Hymans Robertson, use a model, the Hymans Robertson Asset Model (HRAM).

While it is impossible to predict future asset returns with certainty, the model allows the actuary to simulate thousands of possible outcomes over the long term. In each of these outcomes, different asset classes will have different returns. This means that they can use the many different outcomes to calculate central estimates for asset class returns (i.e. where 50% of returns are above and 50% are below the estimated). They also make assumptions about the expected uncertainty of these.

The expected rates of return quoted in the accounting schedules are based on a set of possible outcomes over a period of 20 years (as an approximation for the long term), starting at 31 March 2014. Different models will use different assumptions and will therefore produce different returns to that of the HRAM.

The only exception to the use of HRAM is in deriving the expected return on bond assets. The yields applicable on suitable bond indices as at 31 March 2014 are used instead of that calculated by HRAM.

For more information, please contact Mathew Dawson on 01926 412861 (email mathewdawson@warwickshire.gov.uk) for a copy of our Pension Fund's Annual Report 2013/14.

31 March 2013				Pension scheme assumptions	31 March 2014			
LGPS	Teachers	Firefighters	Firefighter Injury Award		LGPS	Teachers	Firefighters	Firefighter Injury Award
				Financial assumptions:				
2.8%	2.8%	2.5%	2.5%	Rate of Inflation CPI	2.8%	2.8%	2.5%	2.5%
5.1%	n/a	4.7%	4.7%	Salary Increase	4.6%	n/a	4.5%	4.5%
2.8%	2.8%	2.5%	2.5%	Pensions increases	2.8%	2.8%	2.5%	2.5%
4.5%	4.5%	4.3%	4.3%	Rate of discount	4.3%	4.3%	4.4%	4.4%
				Life expectancy assumptions:				
21.9 (23.6) years		23.5 (25.4) years	n/a	A male (female) current pensioner aged 65	22.4 (24.4)	n/a	23.5 (25.5)	n/a
22.8 (25.9) years	n/a	26.7 (28.4) years	n/a	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.6)	n/a	26.6 (28.6)	n/a
				Commutation of pension for lump sum at retirement:				
50.0%	n/a	n/a	n/a	~ Taking maximum cash	50.0%	n/a	n/a	n/a
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0%	n/a	n/a	n/a

IAS 1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below.

Change in assumptions as at 31 March 2014	Approximate increase to Employer Liability %	Approximate monetary amount £ million
0.5% decrease in real discount rate	10%	114.6
1 year increase in member life expectancy	3%	34.7
0.5% increase in the salary increase rate	3%	35.8
0.5% increase in the pension increase rate	7%	77.0

31 March 2013				Change in present value of pension scheme liabilities during the year	31 March 2014			
LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million		LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million
940.1	48.5	180.1	18.8	Benefit obligation at the beginning of the year	1,110.5	50.7	223.4	17.1
25.8	0.0	3.1	0.0	Current service costs	32.6	0.0	4.9	0.8
45.1	2.3	8.8	1.0	Interest on pensions liabilities	50.1	2.2	9.6	0.7
8.3	0.0	1.0	0.0	Member contributions	8.4	0.0	1.1	0.0
1.6	0.0	0.0	0.6	Past service costs (gain)	0.7	0.0	0.0	0.0
0.6	0.0	0.0	0.0	Curtailments	0.0	0.0	0.0	0.0
-29.3	-3.2	-5.8	-0.6	Benefits/transfers paid	-35.2	-3.2	-6.6	-0.6
124.2	3.1	8.0	-5.9	Remeasurements on liabilities	-11.4	1.3	-9.6	6.3
0.0	0.0	28.2	3.2	Changes in assumptions	0.0	0.0	-5.3	0.0
-5.9	0.0	0.0	0.0	Liabilities extinguished	0.0	0.0	0.0	0.0
1,110.5	**50.7**	**223.4**	**17.1**	**Present value of liabilities at the end of the year**	**1,155.7**	**51.0**	**217.5**	**24.3**

Table may not sum due to rounding

31 March 2013 (Restated)					Pension scheme accounting	31 March 2014				
LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m		LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m
					Spending:					
25.8	0.0	3.1	0.0	28.9	Current service cost	32.6	0.0	4.9	0.7	38.2
-1.4	0.0	0.0	0.6	-0.8	Past service cost and curtailments	0.7	0.0	0.0	0.0	0.7
45.1	2.3	8.8	0.9	57.1	Interest cost	50.1	2.2	9.6	0.8	62.7
-31.2	0.0	0.0	0.0	-31.2	Interest income on plan assets	-33.4	0.0	0.0	0.0	-33.4
38.3	**2.3**	**11.9**	**1.5**	**54.0**	**Net charge to CIES**	**50.0**	**2.2**	**14.5**	**1.5**	**68.2**
					Contribution from Pensions Reserve:					
-76.1	-2.2	-43.2	1.8	-119.7	Movement on the Pensions Reserve	-6.3	-0.2	6.0	-7.2	-7.7
59.2	3.1	36.2	-2.7	95.8	Re-measurements recognised in CIES	-20.7	1.3	-15.1	6.3	-28.2
n/a	n/a	-3.0	n/a	-3.0	Funded by Government top up grant	n/a	n/a	-3.7	n/a	-3.7
-16.9	**0.9**	**-10.0**	**-0.9**	**-26.9**	**Contribution (from) Pensions Reserve**	**-27.0**	**1.1**	**-12.8**	**-0.9**	**-39.6**
					Actual amount charged against council tax:					
21.4	n/a	1.8	n/a	23.2	Employers contributions & ill-health contributions	23.0	n/a	1.8	n/a	24.8
21.4	**n/a**	**1.8**	**n/a**	**23.2**	**Amount charged against council tax**	**23.0**	**n/a**	**1.8**	**n/a**	**24.8**
					Amount funded by government top up grant					
n/a	n/a	5.8	n/a	5.8	Retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	6.6	n/a	6.6
n/a	n/a	-1.0	n/a	-1.0	Employee contributions	n/a	n/a	-1.1	n/a	-1.1
n/a	n/a	-1.8	n/a	-1.8	Employers contributions & ill-health contributions	n/a	n/a	-1.8	n/a	-1.8
n/a	**n/a**	**3.0**	**n/a**	**3.0**	**Government top up grant receivable**	**n/a**	**n/a**	**3.7**	**n/a**	**3.7**
					Movement in Reserves Statement					
-38.3	-2.3	-17.6	-1.5	-59.7	Reversal of net charges made for retirement benefits in accordance with IAS 19	-50.0	-2.2	-21.1	-1.5	-74.8
21.4	0.0	1.8	0.0	23.2	Employers contributions & ill health contributions	23.0	0.0	1.8	0.0	24.8
0.0	3.2	5.8	0.6	9.6	Retirement benefits paid or due to be paid to pensioners and transfers out	0.0	3.2	6.6	0.6	10.4
-16.9	**0.9**	**-10.0**	**-0.9**	**-26.9**	**Movement in Reserves Statement**	**-27.0**	**1.0**	**-12.7**	**-0.9**	**-39.6**

This table shows how the value of our pension assets and liabilities has changed over the years.

	31 March 2011 £ m	31 March 2012 £ m	31 March 2013 £ m	31 March 2014 £ m
Fair value of LGPS assets	642.1	649.7	744.0	782.9
Present Value of Liabilities:-				
~ Local Government Pension Scheme	-878.4	-940.1	-1,110.5	-1,155.7
~ Teachers Pension Scheme	-42.0	-48.5	-50.7	-50.9
~ Firefighters Pension Scheme	-166.3	-180.1	-223.4	-217.4
~ Firefighters Injury Awards scheme	-16.9	-18.8	-17.1	-24.3
Total present value of liabilities	**-1,103.6**	**-1,187.5**	**-1,401.7**	**-1,448.3**
~ Local Government Pension Scheme surplus/(deficit)	-236.3	-290.4	-366.5	-372.8
Total surplus/deficit	**-461.5**	**-537.8**	**-657.7**	**-665.4**

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £1,448.3 million has a substantial effect on our net worth as recorded in the Balance Sheet, resulting in an overall balance of £665.4 million. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

- LGPS - the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Firefighters Pension Scheme - the deficit is paid by Central Government;
- Teachers' Pension Scheme finance - finance is provided by the Teachers Pensions Agency;
- Firefighters' Injury Awards – these are financed through revenue budgets.

The following table shows the actuarial gains and losses for current and previous years. It also shows the impact of periodic changes to actuarial assumptions. This is the difference between the assumptions made by the actuary and the actual experience.

LGPS	**Difference experienced on assets**		**Difference experienced on liabilities**		**Changes in assumptions made at triennial valuations used to estimate liabilities**		**Total**
	£ m	**%**	**£ m**	**%**	**£ m**	**%**	**£ m**
2010/11	23.4	3.6	41.3	4.7	39.7	4.5	104.4
2011/12	-24.4	3.8	-19.2	3.4	-13.0	1.4	-56.6
2012/13	60.5	8.1	-127.3	11.2	3.1	0.3	-63.7
2013/14	9.3	1.2	-29.2	2.5	40.5	3.5	20.6
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**4.7**

Teachers	**Difference experienced on assets**		**Difference experienced on liabilities**		**Changes in assumptions made at triennial valuations used to estimate liabilities**		**Total**
	£ m	**%**	**£ m**	**%**	**£ m**	**%**	**£ m**
2010/11	0.0	0.0	0.0	0.0	-0.1	0.1	-0.1
2011/12	0.0	0.0	0.0	0.0	-7.6	15.7	-7.6
2012/13	0.0	0.0	0.0	0.0	-3.1	6.2	-3.1
2013/14	0.0	0.0	0.6	1.2	0.7	1.4	1.3
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-9.5**

Firefighters	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2010/11	0.0	0.0	3.4	2.0	1.6	1.0	5.0
2011/12	0.0	0.0	-2.3	1.3	8.4	4.7	6.1
2012/13	0.0	0.0	8.0	3.6	28.2	12.6	36.2
2013/14	0.0	0.0	9.6	4.4	5.3	2.4	14.9
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**62.2**

Firefighters Injury Awards	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2010/11	0.0	0.0	0.4	2.6	-0.7	-4.3	-0.3
2011/12	0.0	0.0	0.5	2.6	0.7	3.7	1.2
2012/13	0.0	0.0	-5.9	34.7	3.2	18.8	-2.7
2013/14	0.0	0.0	7.8	32.2	-1.5	6.2	6.3
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**4.5**

Note 40: PFI and similar long term contracts

There are no assets recognised on our Balance Sheet under private finance initiative (PFI) arrangements. This treatment has been agreed with our auditors.

Note 41: Pooled budgets with health

Section 75 of the National Health Service Act 2006 allowed joint-working arrangements between NHS organisations and local authorities. Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool will be that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

The table below summarises the financial transactions of the pooled budgets.

2012/13 surplus (-)	Pooled budgets with health	2013/14			
		Our contribution	Total pool	Total spend	Surplus (-)
£ m		£ m	£ m	£ m	£ m
	Section-31 agreements:				
-1.0	- Integrated community-equipment service	-1.6	-4.7	4.5	-0.2
	Other pooled budgets with health:				
-0.3	- Substance misuse treatment services	0.0	0.0	0.0	0.0
-1.3	**Total**	**-1.6**	**-4.7**	**4.5**	**-0.2**

The total pool includes surplus from previous years to be used.

Of the surplus at the end of the year, £0.2 million belongs to the PCTs/CCGs (Clinical Commissioning Groups).

Note 42: Coventry and Warwickshire Business Rates Pool

The Coventry and Warwickshire Business Rates Pool was created on the 1 April 2013 with seven member authorities: Warwickshire County Council, the five Borough / District Councils within Warwickshire and Coventry City Council.

Warwickshire County Council is the lead authority for the pool and there is an agreed memorandum of understanding in place that determines how the Pool's resources are allocated.

Under the agreement £0.2 million of the £0.3 million generated by the pool, will be shared between pool members. In addition North Warwickshire Borough Council and Warwick District Council qualified for safety net payments totalling £0.6 million.

Coventry and Warwickshire Business Rate Pool	31 March 2014 £m
Gain from pooling	-0.3
Less: allocations to Pool members	0.2
Less: safety net payments	0.6
Pool Deficit	**0.5**

The overall deficit of £0.5 million has been funded by a temporary loan from us, as lead authority, and is shown as a contingent asset on our Balance Sheet (see note 34).

Our allocation was from the Pool was £80,000.

Note 43: Related parties and associated parties

Central Government
Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 23. Details of the balances with central government departments are shown in notes 13 and 16. Pooled budget arrangements with the Department of Health are shown in note 41 on page 71.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2013/14 is shown in note 36 on page 56. During 2013/14 works and services to the value of £25.9 million were commissioned from companies in which elected members had an interest (this includes £10.2 million paid to District and Borough Councils in Warwickshire where they are also elected members). Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body, including any made to organisations whose senior management included close members of the families of elected members. In all instances grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members Interest, open to public inspection at Shire Hall.

Senior Officers
During 2013/14 no payments were made to organisations in which senior officers or members of their families had declared an interest.

A number of senior officers and elected members represent us on the board of related companies (such as Warwick Technology Park Management Limited, Warwick Technology Park Management No 2 Limited, Warwickshire Race Equality Partnership, Coventry and Warwickshire Reinvestment Trust Fund, and University of Warwick Science Park Innovation Centre Limited). You can see registers of members' and officers' interests at Shire Hall, Warwick or at the registered office of the company in question if this is not Shire Hall, Warwick.

Other Public Bodies
At the end of the year we owed £16.2 million to other local authorities, central government and public bodies including £5.3 million to Her Majesty's Revenue and Customs, and they owed us £16.1 million including £3.5 million from the Her Majesty's Revenue and Customs (VAT).

We charged the Warwickshire County Council Pension Fund £0.8 million for carrying out the administration work for the fund (not including payroll-processing costs). For more information please refer to the Pension Fund Annual Report 2013/14 which is available on our website.

Other Entities
We hold shares in the following companies:

Company	WCC Share holding	Directors
University of Warwick Science Park Innovation Centre Limited	19.9% of Ordinary Share Capital. 1/6 Voting Rights £1,502,500 preference share valued at £0.075 million	One of six directors is appointed by us
Warwick Technology Park Management Company Limited	4.8% of called up share capital	One officer and one elected member as directors
Warwick Technology Park Management Company (No 2) Limited	0.2% of called up Share capital	One officer and one elected member as directors
Eastern Shire Purchasing Organisation (ESPO)		Two elected members from each authority on Management Committee
SCAPE System Build Limited	16.7% of the called up share capital	One of the six directors is appointed by us
Coventry and Warwickshire Local Enterprise Partnership Limited	No Share Capital and liability limited to £1.	Two type 'B' (public sector) directors to be appointed by us

We are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with six other local authorities. Each authority is represented on the board by two elected members. There are controls in place so that none of our elected members are involved in letting our contracts.

In 2013/14 we paid ESPO £2.2 million for goods and services (£2.9 million in 2012/13). The total amount of invoiced sales for ESPO-managed contracts in 2012/13 was £94.0 million (£86.3 million in 2011/2012). Under the terms of the partnership agreement, if ESPO stopped trading we would be liable for any net liabilities or to receive a share of the net assets based either on the average of our last three years' purchases compared to our other six partners, or a one-seventh share. We are also entitled to a share of the profits. We received £0.2 million in 2013/14 (£0.4 million in 2012/13).

We are part of the Coventry and Warwickshire Local Enterprise Partnership (the LEP). This company is limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity. The LEP's four objectives are

- To drive economic growth
- To help remove barriers to economic growth
- To help create high value jobs
- To co-ordinate local government co-operation and support

The LEP also has a role in coordinating elements of government funding for growth, for example the Growing Places Fund.

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2013/14 under CIPFA's Accounting Code of Practice.

Note 44: Restatement of prior year figures

We had to restate the way we showed figures for pensions costs (IAS19) in the CIES which meant we had to restate figures for 2012/13. This was not material and did not affect the surplus/deficit on the CIES or the net liability on Pension Funds in the Balance Sheet.

Note 45: Trading accounts

Our trading accounts are expected to break even after taking account of charges for the assets they use to provide their services. These charges are worked out in line with the accounting rules we use when we prepare our accounts. Any surplus or loss these trading activities make is transferred to, or met from, business unit reserves.

The spending in the following table is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the new accounting treatment of IAS 19 pension costs (to reflect the actual costs of pensions decisions they have taken in the current year).

2012/13	Trading activity	2013/14			
Net Expenditure £ m		Turnover £ m	Spend after internal income £ m	External income £ m	Net expenditure £ m
0.3	County caterers	8.9	2.5	-2.2	0.3
0.0	County cleaning	1.2	0.3	-0.1	0.2
0.0	Schools finance	1.1	-0.1	-0.1	-0.1
0.0	Construction services	6.6	0.6	-0.9	-0.3
-0.1	County fleet maintenance	3.9	0.8	-1.0	-0.2
0.2	Design services	3.4	0.7	-0.8	-0.2
0.1	Legal services	4.5	1.1	-1.0	0.1
0.1	ICT services	5.5	1.5	-1.0	0.5
0.1	County Music Service	1.8	0.5	-0.5	0.0
0.3	Early intervention	1.8	0.2	-0.3	-0.1
-0.1	School absence (sickness scheme)	2.0	0.1	0.0	0.1
0.0	Other trading accounts (turnover of less than £1 million each)	7.2	4.2	-3.3	0.9
0.9	**Total**	**47.9**	**12.4**	**-11.2**	**1.2**

Negative figures show we have more income than our spending (surplus).

Other trading accounts with a turnover of less than £1 million and include payroll services, school governance, county print unit, archaeology, HR support, schools library service and the education psychology service.

The prices for these trading activities were set when they had to include in total costs the interest element for using their assets. Now that this requirement has been removed, the aim when setting budgets is not to break even but to make a small surplus to cover what the notional interest charge would have been.

The total income for 2013/14 for our significant trading activities above was £47.9 million (£52.2 million in 2012/13) which included £36.6 million of internal income recharged to services (£41.5 million in 2012/13).

The Firefighters' Pension Fund

2012/13 £ 000's	Fund account	2013/14 £ 000's
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1,706	- normal contributions in relation to pensionable pay	-1,705
-113	- early retirements	-112
-22	- other contributions	-22
-990	- from members (firefighter's contributions)	-1,111
	Transfers in:	
-20	- individual transfers in from other authorities	0
-2,851	**Income to the fund**	**-2,950**
	Spending by the fund	
	Benefits payable:	
5,218	- Pension payments	5,429
583	- Commutation of pensions and lump-sum retirement benefits	1,173
0	- Lump sum death benefits	0
	Payments to and on account of leavers	
0	- Individual transfers out of the scheme to other authorities	0
5,801	**Spending by the fund**	**6,602**
2,950	**Net amount payable for the year (before top-up grant receivable from Government)**	**3,652**
-2,950	Top-up grant payable by the Government	-3,652
0	**Net amount payable or receivable (-) for the year**	**0**

31 March 2013 £ 000's	Firefighters' Pension Fund net assets statement	31 March 2014 £ 000's
	Current assets:	
946	- Top-up grant receivable from Government	817
	Current liabilities:	
-946	- other current liabilities (other than liabilities in the future) ~ creditor	-817
0	**Net assets or liabilities (-) at the end of the year**	**0**

Notes to the Firefighters' Pension Fund statements

Note 1: Fund operations

The funding arrangements for the Firefighters' Pension Scheme in England changed on 1 April 2006. Before then, the scheme did not consist of an employer's contribution that was a percentage of pensionable pay. Each Fire and Rescue authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements, the scheme is still unfunded but will no longer be on a pay-as-you-go basis. In an unfunded scheme, the employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are no longer required to meet the pension costs directly but instead to pay an employer's pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The legislation that controls its operation is the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The benefits payable are pensions to retired firefighters and/or widows/widowers of retired firefighters. The benefits paid and employee and employers contributions are administered through our human resources management system. The scheme has no investment assets.

The pension fund is balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. An amount of 80% of the estimated grant needed each year is paid to the fund by the Government during the year. The balance is only paid once the Pensions statement has been audited by our external auditors and a claim, certified by the Head of Finance, is submitted to the Government.

Note 2: Accounting policies

The financial statements are accounted for on an accruals basis. We did not use any estimation techniques in preparing these statements and there have been no prior year adjustments.

For assets and liabilities in the net asset statement the fair value is deemed to be the carrying value as they are both due within 1 year.

Note 3: Liabilities

The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2014. Details of the long term pension obligations, employees and employers contribution rates and GAD assumptions used in the required disclosures in accounts for the Firefighters Pension Fund are found in note 39 to the accounts on pages 60 to 71.

Note 4: Contribution levels

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Department for Communities and Local Government and are subject to triennial revaluation by the Government Actuary's Department.

Note 5: AVC's and added years

Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

Note 6: Debtors and creditors

The debtors for both years are amounts due from central government (balance of grant due to balance the account to nil). The creditors for both years are the amounts due to Warwickshire County Council, the administering authority. All amounts are due within 1 year.

Glossary

This section explains some of the more complicated terms that have been used in this document.

Accruals
Cost of goods and services received in the year but not yet paid for.

Actuarial gain (loss)
For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains or 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'.

Acquisition costs
The cost of buying shares including brokers' commission and stamp duty.

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.

Benefits we have awarded for added years
When a member of staff retires early because they are made redundant, we can give added years of scheme membership. We meet the costs of giving these added years, usually from the savings that will be made.

Billing authority
The local authority which collects the Council Tax. In Warwickshire, the district or borough council is the billing authority.

Budget
A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rates – NNDR)
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. Business rates are shared between local authorities partly on the basis of need and partly on the increased business rates generated locally. The amount each business is charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital fund
Money made available in an earlier year to meet the cost of spending on assets.

Capital Adjustment Account
This account includes the value of capital charges to the Comprehensive Income and Expenditure Statement that do not directly affect the level of council tax.

Capital instruments
Capital instruments are shares or debentures (a type of long-term loan) that are issued to raise finance.

Capital programme
Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

Capital receipts
Income from selling assets that have a long-term value.

Capital spending
Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as computers or vehicles. These items are then capitalised.

Capitalised
Assets that are capitalised are added to the balance sheet.

Capital spending met from revenue
Paying for capital spending direct from revenue.

Cash-flow statement
Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

CIPFA
Chartered Institute of Public Finance and Accountancy

Commutation/commutating
This is where a member of the pension scheme gives up part or all of their pension in return for an immediate lump-sum payment. It is also called a cash option.

Contingent asset
A possible asset which may arise pending decisions that are not under our control.

Contingent liability
A possible liability which may arise when we know the outcome of outstanding claims made against us.

Corporate and democratic core costs
Spending relating to the need to co-ordinate and account for the many services we provide to the public.

Council tax
A tax based on property. There are eight bands of property values. The amount you pay will depend on which band your property is in. You can get a reduction for empty properties or if you live on your own. In Warwickshire, the district or borough councils issue council tax bills and collect the council tax.

Creditors
People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

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 such as bank overdrafts and money owed to suppliers.

Current service cost
Officers employed during the year will have earned one more year of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

Curtailment costs
Curtailment costs arise when many employees transfer out of the scheme at the same time, such as when an organisation transfers its members to another scheme.

Debtors
People who owe us money that is not paid by the end of the financial year.

Depreciation
The drop in the value of assets, for example, through wear and tear, age and becoming out of date.

Disclosure
Information we must show in the accounts under the CIPFA code of practice.

Earmarked reserves
Money set aside for a specific purpose.

Fair value
The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

General reserves
Money set aside to be used in the future.

Government grants
Payment by the Government towards the cost of local-authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant or un-ring-fenced grants).

Gross spending
The cost of providing our services before allowing for government grants or other income.

International Financial Reporting Standard (IFRS)
Standards on the way we need to treat certain items in our accounts.

Liabilities
Money we will have to pay to people or organisations in the future.

Material related-party transactions
Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By ‘material’ we mean of ‘significant value’.

Minimum revenue provision (MRP)
The amount we have to set aside to repay loans.

Net asset value
The total value of an organisation’s assets, less its liabilities and capital charges.

Net book value
The value of an asset after depreciation.

Net interest cost
All members of the scheme are one year older. The net interest cost is the increase in the value of liabilities that arises because the liabilities are one year closer to being paid.

Net spending
The cost of providing a service after allowing for specific grants and other income (not including Council Tax and money from the Government).

Non-distributed costs
Past service pension costs, including settlements and curtailments, which are not to be included in total individual service costs.

Notional
An accounting entry where there is no actual cash transfer.

Operating leases
When we lease goods using this type of lease, ownership of the goods and any profits or losses remain with the company (the lessor) leasing the goods to us.

Overheads
Spending on items not directly related to the supply of our services, for example, office cleaning costs.

Past service costs
The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

Pensions interest cost and expected return on assets
All members of the scheme are one year older. The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Precept
The amount we (the precepting authority) ask the district and borough councils to collect every year for us to meet our spending.

Provisions
Money set aside to meet specific service liabilities, and to meet spending.

PWLB
The Public Works Loan Board is a government agency which provides long-term loans to local authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

Recharges
Charges for services that we have provided.

Reconciliation
A reconciliation explains how figures are worked out, and shows how they are used in different statements in our accounts.

Regeneration
Breathing new life into the local economy.

Reimbursements
Payments we receive for work we do for other public organisations, for example, the Government.

Reserves and funds
Savings we have built up from surpluses.

Restated
This is where we have changed figures that have been published in the past to show the correct ones.

Return on assets
The return on assets is the value of the return we expect to achieve on the fund's investments in the long term.

Revaluation Reserve
This account contains the difference between the amount we paid for our assets and the amount that they are currently worth.

Revenue spending
Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from council tax, government grants, fees and charges.

Revenue expenditure funded by capital under statute (REFCUS)
Spending on assets that have a lasting value, for example, land and buildings, which we do not own.

Revenue Support Grant
The main government grant to support local-authority services.

Reversed out

An item of income or expenditure is taken back out.

Settlement costs
Settlement costs arise when we make a lump-sum payment to a scheme member in exchange for their rights to receive certain pension benefits.

Soft loans
Loans made at less than the market rate of interest.

Specific grants
Payments from the Government to cover local-authority spending on a particular service or project (for example, schools' grants).

Stock and stores (Inventories)
Goods bought which have not been used.

Surplus
The remainder after taking away all expenses from income.

Unrealised
A change in the market value which does not actually take place until the asset is sold.

Unquoted securities
A security that is not traded on the stock market, usually because it is unable to meet the listing conditions.

Annual Governance Statement

Year ended 31 March 2014

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2013/2014

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Annual Governance Statement 2013/2014

1. What are we responsible for?

We are responsible for carrying out our business in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively, and accounting for it properly. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money and an efficient and effective service.

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, inclusive, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have 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*. You can obtain a copy of the Code from our website: http://www.warwickshire.gov.uk/corporategovernance

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011.

2. The aim of the governance framework

The governance framework is basically the systems and processes, and the culture and values, by which we are controlled and how we account to, engage with and lead the community. The framework allows us to monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failing to achieve our policies, aims and objectives, so it can only offer reasonable assurance and not absolute assurance of effectiveness. The system of internal control is based on continuing processes designed to:

- identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;
- assess how likely it is that the identified risks will happen, and what will be the result if they did; and
- manage the risks efficiently, effectively and economically.

The framework underpins our Code and set out the commitments we have made about the way that we work. The governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

3 The Governance framework

Core Principle 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
During 2013/14 our Vision continued to be "Working in Partnership to put Customers First, Improve Services and Lead Communities". This forms the centrepiece to our Strategic Delivery Framework and provides strategic direction to the Council. We have in place seven ambition areas, each linked to a set of aims which we seek to deliver through the Corporate Business Plan. The Vision is reviewed annually as part of our strategic planning process. http://www.warwickshire.gov.uk/strategicdirection During 2013/14 we commenced work on developing a policy led single organisational plan 2014-18 which sets out our agreed core purpose, priorities and our outcomes and which sits alongside the medium term financial plan. This was approved by Council on 25th February 2014 and the business outcomes that will support the delivery of our core purpose were agreed by Cabinet in March 2014. The approach we have taken fully integrates the corporate and financial planning processes, http://wccshapingthefuture.wordpress.com/ Both the Vision and the new One Organisational Plan were informed by an extensive programme of consultation with the public and based on the Quality of Life Report which provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents of Warwickshire. The key messages identified in the analysis aid the decision making and priority setting processes; providing the context for our business planning and the evidence base for our policy development. The report has been published on our website: http://www.warwickshire.gov.uk/qualityoflife

The Vision, Aims and Ambitions and Intended Outcomes were communicated to citizens through the publication of the Corporate Business Plan which was made available through a range of media including our website and, increasingly, social media: http://www.warwickshire.gov.uk/businessplan

Work is underway to publicise the approved One Organisational Plan using a range of different channels to increase its accessibility and transparency.

Reviewing the authority's vision and its implications for the authority's governance arrangements

We adopted a Corporate Governance Code of Conduct in October 2004. This was revised in 2007/08 to reflect new CIPFA/SOLACE guidance. The Code identifies our commitment to corporate governance and supports our Vision and Aims and Ambitions. The Code underlines the critical role governance has in the delivery of objectives, stating that 'good governance is essential for the Authority to improve the quality of its services and has a significant impact on the public's level of trust in the services that the Authority delivers'. The Code can be found on our website: http://www.warwickshire.gov.uk/corporategovernance

Translating the vision into objectives for the authority and its partnerships

The Strategic Delivery Framework "Achieving our Ambitions" applied during 2013/14 and pulled together the key elements of a number of different existing corporate plans and documents. http://www.warwickshire.gov.uk/strategicdirection

This framework was supported by the following documents:

- **The Corporate Business Plan** sets out the Council's aims. These are grouped around seven ambition areas which explain what we hope to achieve. http://www.warwickshire.gov.uk/businessplan
- **Framework for Transformation and Development** sets out the ways in which we will change and develop the way in which we work over the next 3-5 years. The framework brings together the strategy for Organisational Development which promotes, develops and sustains organisational success and a coherent plan which provides a route map to strengthening the organisation through its people and workforce planning.
- **Medium Term Financial Plan** outlines how we intend to use and raise the resources needed to deliver our services and priorities over the medium term. This includes a detailed three year savings plan. http://www.warwickshire.gov.uk/financeplan
- **Quality of Life Report** provides information and intelligence about Warwickshire and its people and helps provide the evidence base for the Strategic Delivery Framework, outlining how the quality of life in Warwickshire compares with elsewhere and how it changes over time. http://www.warwickshire.gov.uk/qualityoflife
- **Corporate Risk Register** sets out the risks that we have to manage to help us achieve our objectives.
- **Corporate Asset Management Plan** outlines our intentions for each of our non-school buildings and assets which we either occupy or own to ensure the efficient and effective use of all assets over the short, medium and long term.

Our future direction and priorities are contained in the recently approved One Organisational Plan.

Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and that they represent the best use of resources and value for money

Our approach to performance management during 2013/14 is set out in the Performance Management Framework. The Corporate Business Plan and Business Unit plans all have performance measures which enable us to monitor progress in the achievement of our aims, objectives and intended outcomes. Organisational health reports which integrate finance, performance and risk are presented to Cabinet on a quarterly basis. The Finance and Performance Working Group, made up of members, scrutinise, monitor and review these reports quarterly. The Working Group engages with Cabinet through the identification of key areas for improvement and by submitting recommendations aimed around improving the Council's service delivery and financial stability. Copies of organisational health reports are available on our website: http://www.warwickshire.gov.uk/performancereport

The proposed reporting arrangements for the One Organisational Plan will be considered by Cabinet in June 2014.

We produce a leaflet each year which details our services and outlines how we spend Council Tax income. The leaflet for the current and previous financial years can be viewed on our website: http://www.warwickshire.gov.uk/counciltaxspending

Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements

Elected members are collectively responsible for the governance of the Council. Decision making and scrutiny of member decisions has been separated through the executive arrangements introduced by the Local Government Act 2000. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, and committees are defined in the Constitution.

Following the County Council elections in May 2013 we have a minority Conservative administration and the Council's governance arrangements have been updated to reflect the new political structure. The proposed changes have been adopted by the new Council and reflected in the Constitution.

The roles and responsibilities of the Head of Paid Service, Monitoring Officer and Chief Finance Officer, delegation of statutory powers and executive functions, and Protocols on member / officer relations are defined and documented within our Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution.

Ensuring effective management of change and transformation

A systematic review of all Council services as part of our "Transformation through Strategic Commissioning" programme commenced in January 2012 and was completed by March 2014.

The relevant Cabinet Portfolio Holder was engaged throughout the process and progress updates on the overall programme and service reviews was reported to the Corporate Services Overview and Scrutiny Committee. A report outlining all of the outcomes following the conclusion of the strategic commissioning process is to be presented to Cabinet and Corporate Board in May 2014.

Ensuring the authority's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)* and, where they do not, explain why and how they deliver the same impact

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). They include the following:

- The Head of Finance is actively involved in the financial implications of all material business decisions, leads on promoting good financial management, is professionally qualified and suitably experienced and leads and directs a finance function fit for purpose.
- Although he is not a Strategic Director, he is entitled to attend at and offer advice to meetings of the Corporate Board and Cabinet/Corporate Board in relation to any item which he considers raises financial issues.
- Within the Financial Regulations of the Authority he has the responsibility to advise Strategic Directors as necessary on financial arrangements and has access to all documents concerned with finance.

Ensuring the authority's assurance arrangements conform with the governance arrangements of the *CIPFA Statement on the Role of Head of Internal Audit (2010)* and, where they do not, explain why and how they deliver the same impact

The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Resources. A programme of risk based audits is carried out by the Risk and Assurance Service. A summary of audit work is reported to the Audit and Standards Committee which has responsibility for oversight of probity and audit issues and meets four times a year.

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). In particular the head of audit has regular formal meetings with the Strategic Director for Resources, Head of Finance and Head of Law and Governance and does not take any part in any audit of risk management or insurance. Work is underway to ensure we fully comply with the Public Sector Internal Audit Standards (PSIAS) which were launched in April 2013, superseding the 2006 Cipfa Code of Practice for Internal Audit in Local Government in the United Kingdom. We have created an Internal Audit Board and updated the Audit Charter. Compliance with PSIAS is mandatory and will be confirmed by an external assessment in due course. More information can be found on our website: http://www.warwickshire.gov.uk/audit

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Monitoring Officer has arrangements in place to ensure that all reports to member bodies are checked by qualified lawyers within the Authority and to ensure compliance with legislation, corporate policies and procedures. All decision making member bodies are supported by a legal advisor who attends meetings. In addition, the Monitoring Officer receives weekly briefings from senior lawyers in the Authority highlighting if there are any:

- cases or potential cases where questions arise as to the Council's power to take action
- cases or potential cases of breaches of law or internal regulations, especially standing orders, contract standing orders or financial regulations
- proposals to act contrary to corporate policy or legal advice
- new legislation, statutory instruments or government proposals affecting areas of work carried out by the Authority

The Monitoring Officer has responsibility for reviewing and investigating complaints about elected member conduct (including co-opted members).

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Chief Executive is designated as the Head of Paid Service and fulfils the responsibilities of the role. The functions of the Head of Paid Service and group structures that have been put in place are contained within the Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees: Practical Guidance for Local Authorities*

The Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference is contained within the Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution

Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

A partnership governance toolkit is in place. The purpose of the toolkit is to help the Council and other agencies involved in partnership working to identify the key governance issues that need to be addressed when considering new partnership arrangements or running existing partnerships.

The toolkit contains a number of tools designed to help build a partnership framework including partnership objectives, structures, governance arrangements (including performance, financial and risk management arrangements, customer engagement protocols and exit strategies.

Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

Our Code of Corporate Governance is supported by a programme of governance training for officers and a range of internal audits. The expectations for the behaviour of elected and co-opted members are published in the Member's Code of Conduct contained within the Constitution. This was revised and adopted by full Council in July 2012 to take into account changes arising from the Localism Act 2011. Standards of behaviour for staff are defined in the Officers Code of Conduct contained within the Constitution found on our website: http://www.warwickshire.gov.uk/constitution.

New members of staff are made aware of codes of conduct as part of their induction. Staff codes of conduct are available through the HR pages on our website: http://www.warwickshire.gov.uk/conduct

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

We have a good record in preventing and identifying fraud but cannot afford to be complacent. We have an Anti-Fraud and Bribery Policy and Strategy outlining our commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds. This was reviewed during 2012 to incorporate changes in best practice and legislation, including the Bribery Act 2010. These documents were reviewed and approved by the Audit and Standards Committee and Cabinet in December 2012 and published on our website: http://www.warwickshire.gov.uk/antifraud

We participate in the National fraud Initiative and counter-fraud activities take place throughout the year including articles published on the intranet to raise fraud awareness.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Key roles in relation to ensuring compliance with policies, procedures, laws and regulations are performed by the Monitoring Officer and the Section 151 Officer.

Financial Standing Orders were reviewed during 2013 and have been replaced by Financial Regulations. These were approved by full Council on 26th September 2013 and work is underway to develop a supporting suite of procedures. A structured approach to contract management is set out in Contract Standing Orders (CSOs). These provide guidance on managing our finances, ensuring compliance with legislation and value for money is considered in all purchasing activities. The current set of Contract Standing Orders was agreed by full Council on 21st March 2013 and became effective 1 April 2013. A revision was approved by full Council in September 2013 in relation to the approval of contracts over £500,000 but below £1 million. Financial Regulations and CSOs can be found on our website: http://www.warwickshire.gov.uk/constitution.

In addition, external audit and external inspection agencies contribute to the review of the Authority's compliance with internal policies and procedures, and relevant laws and regulations. External reviews completed during 2013-14 include:

- Care Quality Commission review of the Reablement Service North Team completed in October 2013. The review found we have an effective system in place to monitor the quality of care and support that people receive and actions are taken to improve the quality of the service.
- Ofsted thematic inspection on Early Help in January 2014. This examined arrangements to provide support to children and families as soon as a problem emerges. A final report is due to be published later this year.
- Inspections of schools as part of the Ofsted inspection programme.
- An Operational Assessment Peer Review of the Fire and Rescue Service completed in November 2013. This was a review performed by accredited peers from other fire services that reviewed operational assurance in governance, finance and operations. Following the review an action plan has been developed to manage and action recommendations made during the review.

We have commissioned a Local Government Association sponsored corporate peer review which is scheduled to commence in September 2014. The review will be tailored to reflect our local needs and specific requirements, and used as a tool to drive improvement for the Authority.

Whistleblowing, and receiving and investigating complaints from the public

The Whistleblowing Policy outlines procedures for staff members wishing to raise a concern, the response they can expect from the Authority and the officers responsible for maintaining and operating the code (which is essentially all managers). The Strategic Director (Resources Group) has overall responsibility for the maintenance and operation of this policy. A confidential register of concerns raised and the subsequent outcome of investigations is held by the Resources Group. Details of whistleblowing arrangements have been published on our website: http://www.warwickshire.gov.uk/whistleblowingreporting

Complaints from members of the public are addressed according to the 'Corporate Complaints Procedure' ('making sure positive or negative customer feedback is valued and used to improve services') and managed corporately by the Customer Service business unit. Extensive guidance is available to staff through our intranet site, to the public on our website and through written publications: http://www.warwickshire.gov.uk/complaints

Core Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality
The Constitution sets out how the Council operates, how decisions are made, who makes decisions, how citizens, businesses and other organisations can participate, and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet members, Committees and Officers are specified. The Council is reviewing all main policies and procedures through its Corporate Frameworks Programme. We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website. Where a report is considered in private, the reason for that is set out in the description of the decision: https://democratic.warwickshire.gov.uk/cmis5/ The Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution: http://www.warwickshire.gov.uk/scrutiny In compliance with the Freedom of Information Act 2000 procedures for requesting access to information are in place. Our publication scheme guide is available on our website: http://www.warwickshire.gov.uk/foi
Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability
Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to our ability to deliver public services and as a custodian of public funds. Our approach to managing risk is explained in the Risk Management Strategy which has been approved by Cabinet and is available on our website: http://www.warwickshire.gov.uk/riskmanagementstrategy. This strategy is being reviewed as part of the corporate frameworks programme.

Core Principle 5: Developing the capacity and capability of members and officers to be effective

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The development and training of elected members is managed by the Law & Governance Business Unit. At the beginning of their term of office, each elected member undergoes an induction programme which includes corporate governance training. A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues. Democratic Services maintain a database of the training received by and planned for members.

Our approach to workforce planning both at a Corporate and a Business Unit level ensures that we can identify and address the necessary workforce implications of our transformation activity and that we can anticipate and tackle current and future workforce challenges. Business Units develop robust workforce plans and identify learning and development priorities alongside the development of their business plans. This ensures that Warwickshire has a fit for purpose workforce and staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the Corporate Business Plan. Business unit workforce plans are co-ordinated to ensure consistency, and are consolidated to form the Corporate Workforce Plan.

The Corporate Learning and Organisational Development team offers a range of services to address the learning and development needs of all employees across the organisation, also offering specialist advice and guidance to individuals, teams and Groups. The team works closely with HR Business Partners as part of the Business and Workforce planning process to develop Learning and Development plans that reflect and support current organisational priorities. During 2013 we launched a new learning management system. The new system enables us to capture all learning and development activity taking place across the whole of the council, host e-learning, monitor, track and produce reports and enable staff to create their own personal development record. http://www.warwickshire.gov.uk/gatewaytolearning

The Working for Warwickshire Framework details the knowledge, skills, and qualities we need from our staff. Initially rolled out to Managers during 2012/13 this is being made available to all staff from April 2014. This ensures that all staff are clear what is expected of them. It also clarifies to all staff the knowledge, skills and qualities expected from their manager. As part of this framework, new elements have been introduced to ensure managers are being supported effectively. A self-assessment tool has been developed which all managers across the organisation use when reviewing performance and agreeing development needs as part of their appraisals and 1:1 sessions. http://www.warwickshire.gov.uk/w4w

The Chief Executive conducts appraisals of each of the three Strategic Directors and the Chief Fire Officer and they in turn appraise their respective Heads of Service. The corporate staff appraisal process applies to all staff across the organisation and is used as a tool to identify individual objectives and development needs: http://www.warwickshire.gov.uk/corporateappraisal

Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

We undertake consultation on a wide range of topics to help us engage with the public to inform decision making and to assess the quality of services we provide. Our Consultation and Engagement Framework provides staff with guidance and tools for planning and conducting consultation activities. As part of our approach to consultation the Ask Warwickshire website is a portal for consultation exercises taking place within Warwickshire. We use a variety of methods to undertake consultation including public meetings, public and staff roadshows, strategic meetings with partners and online consultation surveys. This enables us to engage with a greater number of citizens on a wide range of consultation topics and to provide results of completed consultation activities: http://askwarks.wordpress.com/

As part of the development of the One Organisational Plan we have conducted an extensive programme of public consultation. The public were invited to engage with members about what is important to them, and the leader embarked upon a programme of 'Let's talk' roadshows across the county. The roadshows were streamed live on the internet and supported by a dedicated twitter feed. After each event, a summary of issues discussed was posted on our website to keep people up to date. During the course of the consultation we used MORI 'You Choose' budget simulation software to help gather the views of the local community to help shape the medium term financial plan for 2014-18.
http://askwarks.wordpress.com/2014/01/07/feedback-from-the-lets-talk-public-engagement/

A Public Engagement in Overview and Scrutiny Toolkit has been developed to support Members with engaging and involving the public in scrutiny activity. The Toolkit was approved by the Corporate Services Overview and Scrutiny Committee in October 2013:
http://warksdemocracy.wordpress.com/2013/10/28/greater-public-involvement-in-overview-and-scrutiny/

Equality and Diversity is an integral part of consultation. Equality Impact Assessments are used as a tool to identify the potential impact of strategies, policies, services and functions on customers and staff. It is an evidence based assessment tool, to ensure and evidence that services do not unlawfully discriminate. This is supported by equality guidance for public consultation and engagement activity which is available to staff online:
http://www.warwickshire.gov.uk/staffequalityanddiversity

The Petitions Scheme enables citizens to raise and formally present petitions to members and committees. This also provides for debates where petitions have a sufficient number of signatories. Petitions can be submitted by post or online: http://www.warwickshire.gov.uk/petitions

Our Locality Working Strategy outlines the objectives and working arrangements for engaging with the community alongside our partners and improving working with locality groups. This can be found on our website. http://www.warwickshire.gov.uk/localityworkingstrategy

We operate a network of thirty Community Forums across the county, each of which meets on a minimum of four occasions per year. These are run in partnership with the District/Borough Councils, Warwickshire Police, and Health Service and provide the opportunity for the public to engage with Councillors and public service providers about their concerns and priorities. Agendas and minutes of community forum meetings are available on our website: http://www.warwickshire.gov.uk/communityforums

One of the biggest changes to the way that we organise and deliver social care services in Warwickshire is increasing the level of involvement of customers both in the commissioning of new services across the county and also reviewing our existing services to ensure they are meeting the needs of all our customers. The Transformation Assembly contributes to this by involving customers and carers in shaping future adult social care services. Highlight reports are produced which report on the contribution made by assembly members to projects and differences made as a result of their input. Information about the Transformation Assembly and highlight reports can be found on our website:
http://www.warwickshire.gov.uk/transformationassembly

We undertake an annual pupil survey which covers a wide range of issues including pupils' happiness, safety, physical activity, awareness of different issues and accessing help and information. Over 5,500 young people responded to the 2013 survey, representing 43 different schools and colleges across the county. The findings from the survey are used to support future service planning. We published the results of the survey in May 2013 and a copy of the report summarising the key findings can be accessed on the Warwickshire Observatory website:
http://warksobservatory.wordpress.com/2013/05/07/2013-annual-pupil-survey/

Enhancing the accountability for service delivery and effectiveness of other public service providers

We are members of a number of sub-regional partnerships and groups. These have member and / or officer representation. Each partnership has its own governance arrangements in place. http://www.warwickshire.gov.uk/partnerships

The Police Reform and Social Responsibility Act 2011 established the arrangements for Police and Crime Commissioners (PCCs) and for Police and Crime Panels. The Police and Crime Panel is a joint committee of the County Council and the five district and borough councils. The Panel's role is to review or scrutinise the decisions and actions of the PCC but in a way that supports the effective exercise of the functions of the PCC. The Panel first sat in December 2012 when the terms of reference were agreed. http://www.warwickshire.gov.uk/policeandcrimepanel

Governance arrangements are in place for scrutinising health services:

- The Health and Wellbeing Board is an executive function that has statutory responsibility for developing joint health and wellbeing strategies. The Board reports to Cabinet and Council every 6 months and is subject to independent scrutiny by the Adult Social Care and Health Overview & Scrutiny Committee.

- We have commissioned Healthwatch Warwickshire to undertake an independent role in the provision of information on local health and social care services to the public and also to enable public engagement with health providers. Healthwatch launched in April 2013 and a Memorandum of Understanding has been agreed setting out the framework for the working relationship between Warwickshire Health and Wellbeing Board, Healthwatch Warwickshire, Children and Young People Overview & Scrutiny Committee and Adult Social Care and Health Overview & Scrutiny Committee. The MoU was ratified by all groups during October and November 2013. http://healthwarwickshire.wordpress.com/

4. Review of effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, the Head of Internal Audit and chaired by the Head of Law and Governance. In carrying out their review, the evaluation panel:

- considered the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- considered the approach of the Authority to identifying principal risks to the achievement of those obligations and objectives;
- identified the key control frameworks that the Authority has in place to manage its principal risks;
- obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection; and
- evaluated the assurances provided and identified gaps.

The evaluation panel scrutinised a series of assurance statements prepared by executive managers. These statements describe and provide evidence of the control frameworks and, where appropriate, referred to the results of reviews carried out by external agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Monitoring Officer and the Section 151 Officer before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have been reviewed throughout 2013/14 in a number of ways including:

- a review of the Constitution following the County Council elections in May 2013;
- a review of key corporate policies and strategies contained within the Corporate Framework commenced in 2012 and is ongoing;
- a review of Contract Standing Orders;

- a fundamental review of Financial Standing Orders with them being replaced by Financial Regulations;
- scrutiny reviews; and
- risk based reviews by Internal Audit.

The results of the Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews feed into the overall Internal Audit Annual Report. This report concludes that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed. The internal audit findings were duly considered in the preparation of this statement by the evaluation team and the Audit and Standards Committee.

5. Governance issues

We have been advised on the implications of the result of the review of effectiveness of the governance framework by Cabinet and the Audit and Standards Committee. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

We have not experienced any significant governance failures during the last year. However the following have been identified as major challenges for the Authority going forward, each carrying significant risks for the County Council. The governance challenges recorded in this statement are reflected in the organisation's Strategic Risk Register and have accompanying actions. The Risk Register already highlights the significant actions taken and successes achieved in addressing the challenges of the past 12 months. A prime purpose of the governance framework is to minimise the occurrence of strategic risks and to ensure that any such risks arising are highlighted so that appropriate mitigating action can be taken. We are satisfied that the challenges identified are addressed by service business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness.

Governance Challenges for 2014/15 and beyond
Government policies, new legislation and sustained austerity measures present immediate challenges and further significant imposed savings over the medium term. The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation presenting significant challenges to us. Statements from the Treasury reiterate that the period of austerity for public services will continue for some years. General Elections are scheduled for May 2015 and in the run up to this we will need to maintain a watching brief of political manifestos to identify any potential policies which may have a significant impact for local government.

Governance Challenges for 2014/15 and beyond

In this continuing climate for public finances we are looking at further significant savings of £92 million over the next four years in order to balance the budget over the medium term and to secure growth. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. We have responded to this by producing a medium term financial plan for the period 2014-18. As the Council continues to navigate the changing economic circumstances it is imperative that at the organisational level we have a clear focus on the issues which matter to us and a resolute focus on our organisation's priorities. Therefore we have developed a One Organisational Plan for the County Council which incorporates the medium term financial plan. The approach we have taken integrates the corporate and financial planning processes, resulting for the first time in a policy-led single Organisational Plan for 2014-18.

In recognition of the economic challenges facing Warwickshire the principles of 'Going for Growth' have been incorporated within the One Organisational Plan. One of the core outcomes within the plan is that 'our economy is vibrant, residents have access to jobs, training and skills development'. We have a number of projects including faster broadband that are designed to pump prime the economies of our towns and businesses, and the challenge is to ensure that economic benefits to Warwickshire are delivered.

The introduction of the Community Infrastructure Levy will also have an impact on how the Authority receives funding from developers to fund the infrastructure and services required as a result of housing/business growth across the county. The County Council is working proactively with the district/borough councils on the implementation locally. The implications have been built into the medium term financial plan and details will be refined once local schemes are approved.

Arising from consultation undertaken for the One Organisational Plan and Medium Term Financial Plan we have opened up a debate on the feasibility of moving to unitary local government for Warwickshire. There is a large amount of partnership working that occurs within the county and across the sub region and we need to ensure that we maintain positive working relationships across all tiers of government. We are committed to being a good partner in order to advance the economic benefits and obtain the best outcomes for the sub-region.

The savings plans that we have in place are challenging and will result in a significant impact on the level and quality of services that we can provide to the public. The major focus for us in the coming year is to:

- Ensure that there is sufficient capacity and skills to manage transformational change and delivery of budget savings;
- Continue to address the challenges we face in moving to a commissioning role;
- Ensure that there is continuity and stability of management to deliver our planned objectives and savings;
- Manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector;

Governance Challenges for 2014/15 and beyond

- Ensure that there is effective and appropriate consultation and communication of change to all customers, stakeholders and staff;
- Manage our budgets in a clear and prudent manner;
- Ensure that good governance, sound project and partnership management and standards of control are in place and strictly upheld during the transformation process to ensure that risks are managed and we achieve the right outcomes.

Continuing pressure on Adult Social Services resources.

Against a backdrop of increasing demographic, quality and cost pressures there are a number of proposed major legislative changes that will have a fundamental impact on the funding and provision of adult social care services in Warwickshire. The Care and Support Bill contains provisions covering adult social care and support reform, care standards (and the government's response to the Francis Inquiry), and health education.

A report was presented to the Health and Wellbeing Board on 26th March 2014 outlining the potential implications for Warwickshire. The current national plans indicate that the Care Bill will be enacted by 2016. Scoping work continues locally and the next step is an estimate of the local financial impact of the Care Bill and the creation of an implementation plan. This work will need to be integrated with the ongoing work associated with the One Organisational Plan in due course.

The Better Care Fund is a central government driven initiative to further integrate health and social care services in order to deliver better services to older and disabled people, keeping them out of hospital and avoiding long hospital stays. Clinical Commissioning Groups and the Council will need to jointly agree plans for how the money will be spent and these plans must meet certain requirements and from 2015/16 the fund will be put into pooled budgets under Section 75 agreements. The better care template and plan has been was approved by the Health and Wellbeing Board and submitted to NHS England. The proposed governance structure and draft partnership agreement, for a Joint Commissioning Board that will progress the integration of NHS, social care, public health and related services has also been considered by the Board.

Safeguarding Children and Vulnerable Adults in our community

In light of high profile safeguarding cases at a national level, we cannot be complacent about protecting children and vulnerable adults from harm and providing appropriate services for children in need. Responding to ever increasing levels of referrals against the backdrop of financial austerity will require careful judgements to be made both in terms of managing our exposure to risk and the associated increase in costs.

Governance Challenges for 2014/15 and beyond

Recommendations arising from the Gemma Hayter Serious Case Review have been implemented. The action plan was independently reviewed and went to Warwickshire Safeguarding Adults Board on 29th January 2014, where it was accepted in full.

We received our first inspection from Ofsted under their new framework in January 2014. This was a thematic review which examined early help arrangements focusing on how the local authority children's social care services contribute to and support multi-agency early help work. A final report is due to be published in the summer of 2014.

The Children and Families Act 2014 received royal assent in March 2014. During the course of the next year we will take forward and implement changes arising from the Act so that we continue to improve services for vulnerable children and support strong families.

Keeping information safe.

Information security is a key issue for all public sector organisations in the light of well publicised data losses affecting many public bodies. A robust process for investigating data losses is in place and the Authority continues to protect the data of its staff, customers and business activities and ensure that it is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we have required staff to formally accept their responsibilities.

Data loss remains an inherent risk for the Authority and we continue to place emphasis on improving awareness and practices in relation to information security and strengthening the security infrastructure of our networks. We will continue to review and develop training and guidance during the course of the next year including reviewing our e-learning facilities for all staff.

Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and City Deal

CWLEP is a partnership and strategic body that plays a central role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs. The purpose of the partnership is to create a successful, thriving economy within Coventry and Warwickshire. The Government is supporting LEPs by increasingly providing funding and decision making to LEPs allowing them to decide and prioritise on the allocation of funding to deliver their economic strategies. This includes the Regional Growth Fund, Growing Places Fund, City Deal and local major transport schemes.

Governance Challenges for 2014/15 and beyond

We are committed to being a good partner in order to advance the economic benefits of the partnership and obtain the best outcomes for Coventry and Warwickshire. The next year will be vital in implementing the measures previously put in place to ensure that planned objectives and agreed outcomes for the partnership are delivered. A new chairman has been appointed for the LEP from April 2014 and we will continue to work to alongside our business and political partners to ensure that planned objectives for the partnership are achieved that deliver agreed outcomes. Over the next year CWLEP is undertaking a number of major pieces of work in which we will have a stake. These include supporting the:

- implementation of proposals agreed as part of City Deal including further work on developing Governance arrangements.
- growth deal negotiations which are expected to take place in June/July 2014 following appraisal of the Strategic Economic Plan by the Government.

Future delivery of Warwickshire Fire & Rescue Service.

The Fire and Rescue Service is currently reviewing its arrangements for delivering front line services as part of its Integrated Risk Management Plan (IRMP) and savings plans. Views are being sought from the public, stakeholders and other organisations to the changes to policy and location of firefighters and fire engines. The consultation ends in June 2014 and a report outlining final recommendations will be presented to Council in September 2014.

The Fire and Rescue Service is exploring the feasibility and potential benefits of collaboration with Hereford and Worcester Fire and Rescue Service. A joint project team has been formed by officers from both services to explore and evaluate options. This is overseen by a joint Project Board comprising of officers and members from each service and Fire Authority. Within Warwickshire cross party member involvement and consultation is undertaken through regular meetings of a WCC Member Fire Reference Group. A report will be presented to Council in September outlining the recommended options. As part of our work we need to maintain a watching brief for any official response that the Government may issue to the Review of Efficiencies and Operations in Fire and Rescue Authorities in England undertaken by Sir Ken Knight in May 2013.

Development of Business Continuity Plans and procedures.

Warwickshire County Council is a Category One Responder as outlined in the Civil Contingencies Act 2004 and has a statutory duty to have business continuity plans which ensure that critical services can continue in the event of an emergency or disruption and to fully recover all services as soon as possible.

Governance Challenges for 2014/15 and beyond

To ensure our Business Continuity approach is appropriate a business continuity development plan has been agreed by Corporate Board and plans and processes are currently being systematically reviewed. The corporate business continuity policy and plan have both been revised and signed off by Corporate Board and business continuity plans have been drafted for all key services in People Group and the Fire and Rescue Service. The challenge over the next year is to complete the development of business continuity plans and to develop a testing and maintenance programme.

Driving improvement across all schools in the County.

The Government's change agenda for schools has brought about a significantly different educational landscape in Warwickshire, with increasing numbers of schools leaving the Authority's control having been granted academy status. We have a statutory responsibility for school improvement and we are continuing to build and maintain relationships with schools. Our priorities are to promote the welfare of all children in education in Warwickshire and to work in partnership with all schools, regardless of status, in order to ensure high levels of academic achievement and improvement.

In recognition of this and reductions in the budget to support school improvement we are working with schools to develop a peer to peer support model. By developing groupings or 'consortia' of schools, the Council is creating a platform to share good practice so that schools and educational providers are able to support each other. The model will empower schools collectively to take responsibility for the improvement of the support model. The model builds on established collaborative arrangements between schools to create a number of consortia formalising the roles of the schools, nominated consortia leads and the Council. In September 2013 Cabinet approved the phased implementation of the new delivery model for School Improvement.

High Speed 2 (HS2)

HS2 is a significant national infrastructure project, which will have an enormous impact on Warwickshire and its communities whilst being constructed. We have a strong relationship with the Warwickshire action groups and the 51m group of local authorities. Members and officers have worked closely with communities to help them develop mitigation proposals and we will continue working with community groups to respond to the future challenges of HS2. It is imperative that the Council continues to provide detailed scrutiny of HS2 to ensure that the impact on Warwickshire is as minimal as possible, maximum benefits are gained and communities are fairly compensated where necessary. The County Council will remain engaged with HS2 Ltd including responding to consultations and co-operating with work on design and mitigation to ensure that the interests of the County are protected if HS2 proceeds. We will continue to lobby MPs and make representations to Parliament as the HS2 Bill goes through its parliamentary stages.

6. Certification

We propose over the coming year to take steps to address each of the above matters to further enhance our governance arrangements. We are satisfied that the issues we have identified are addressed by the detailed action plans included in each of the service business plans across the Council, and that the actions identified will address the need for improvements that were highlighted in our review of effectiveness. These actions are monitored on a quarterly basis and reported to members and Corporate Board. A review of progress in addressing the challenges identified will be undertaken by the Audit and Standards Committee at their November meeting and we will monitor their implementation and operation as part of our next annual review.

Signed

....
Jim Graham
Chief Executive

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Councillor Izzi Seccombe
Leader of the Council

Date: 25 September 2014