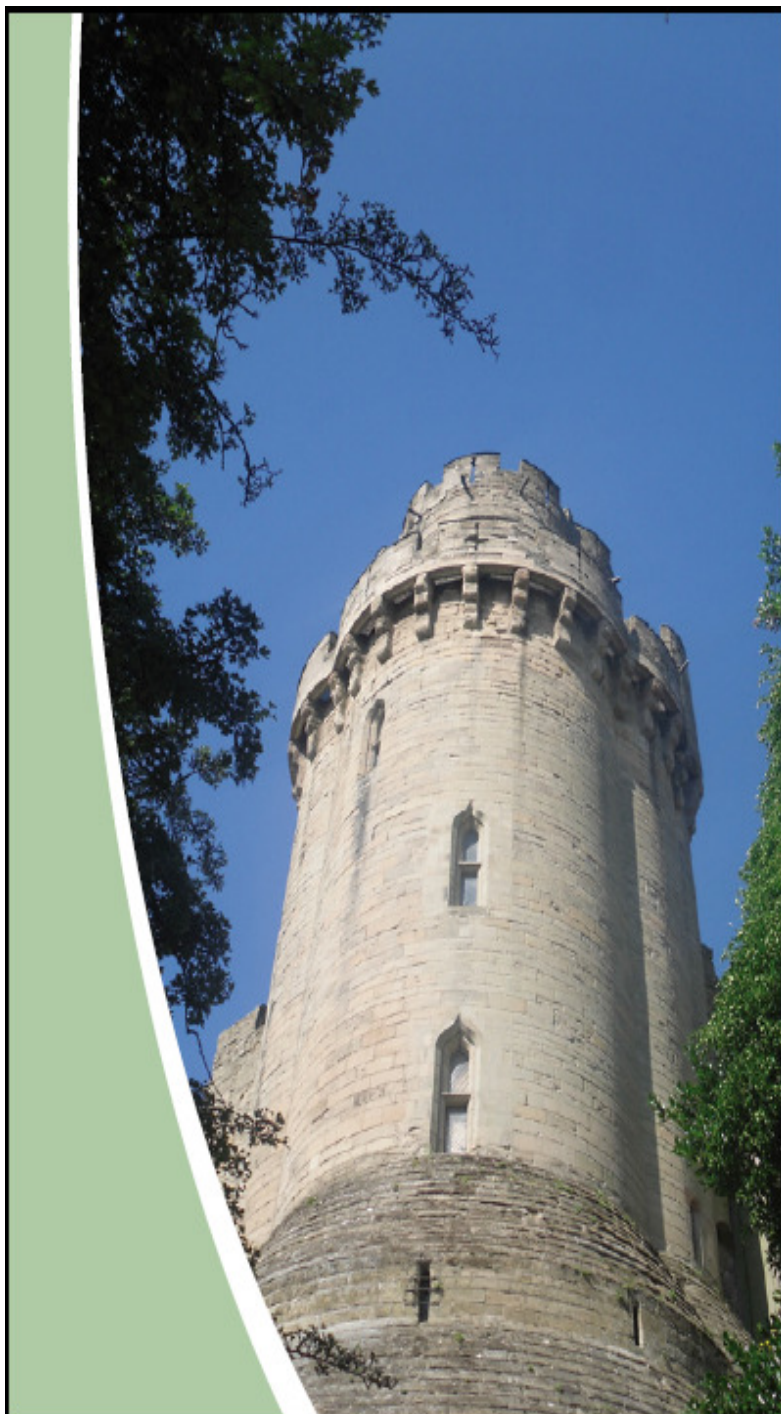


# Warwickshire County Council



## Statement of Accounts and Annual Governance Statement

2014/15

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.

- Phone: 01926 412239
- E-mail: [vrennie@warwickshire.gov.uk](mailto:vrennie@warwickshire.gov.uk)

You can also leave your comments on our website at [www.warwickshire.gov.uk](http://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**

We have audited the financial statements of Warwickshire County Council for the year ended 31 March 2015 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, the Statement of Accounting Policies, the Firefighters' Pension Fund and the related notes. 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 2014/15.

This report is made solely to the members of Warwickshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, 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 also 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 Foreword by the Head of Finance 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 2015 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 2014/15 and applicable law.

## **Opinion on other matters**

In our opinion, the information given in the Foreword by the Head of Finance 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

***Delay in certification of completion of the audit***

We are required to give an opinion on the consistency of the pension fund financial statements of Warwickshire County Council included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2015. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund 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.

John Gregory

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

28 September 2015

## 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 2011.

### 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:

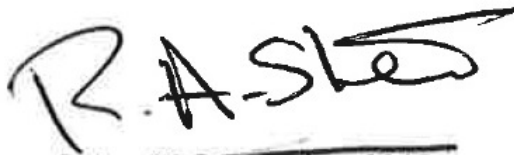
- Kept proper accounting records which are up to date; and
- Taken steps to prevent and detect fraud, including preparing an audit risk management strategy.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Warwickshire County Council at 31 March 2015 and the income and expenditure for the year ended 31 March 2015. The unaudited draft accounts were authorised for issue on 30 June 2015. These were audited and were considered and approved at a meeting of the Council on 24 September 2015.



**John Betts**  
Head of Finance

**Date: 24 September 2015**



**Councillor Bob Stevens**  
Chair of the Council

**Date: 24 September 2015**

## 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 2014/15. They represent the financial results of the delivery of the first year of our 2014-2018 One Organisational Plan. 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 2014/15. The second part provides information on how the Financial Accounts for 2014/15 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 surplus 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 2014/15 was available for inspection from 9 July 2015 to 5 August 2015. The formal audit of our accounts began on 22 June 2015 and we received an unqualified opinion on the Statement of Accounts on 28 September 2015. 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

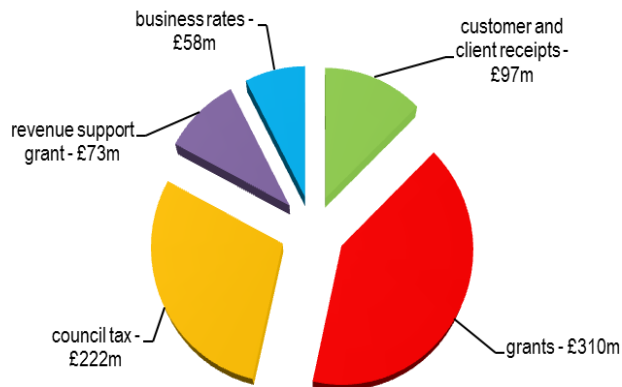
We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Our capital spending relates to items we have bought and which will be used for more than one year. An amount is charged 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 2014/15 and sets out the ways in which this has been spent.

#### How we received our money

Our total revenue income in 2014/15 was £760 million. £238 million was used by schools, £510 million was used to fund our services and the balance of £12 million has been set aside for use in future years.

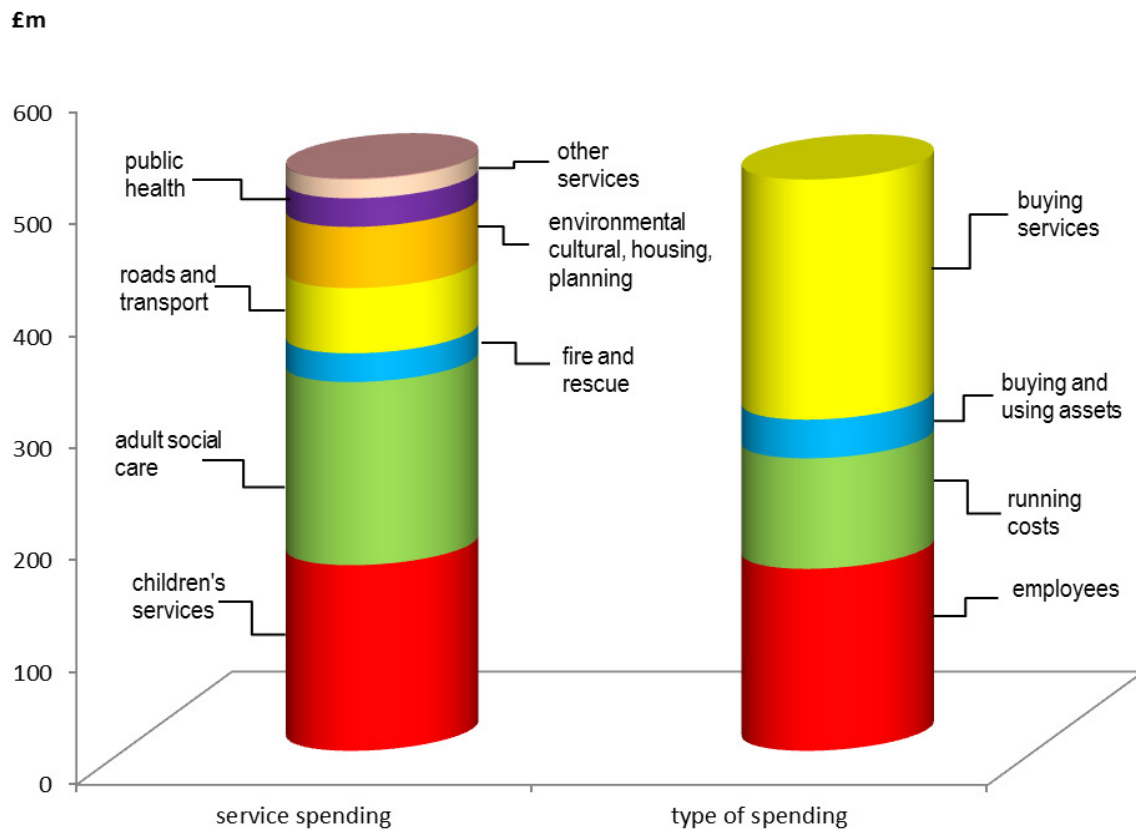


The main sources of revenue income received in 2014/15 to support the revenue budget of our services are shown in the chart of the left.

This income is from council tax (29%) and our share of business rates (8%), with 50% from government grant and 13% from customer and client receipts.

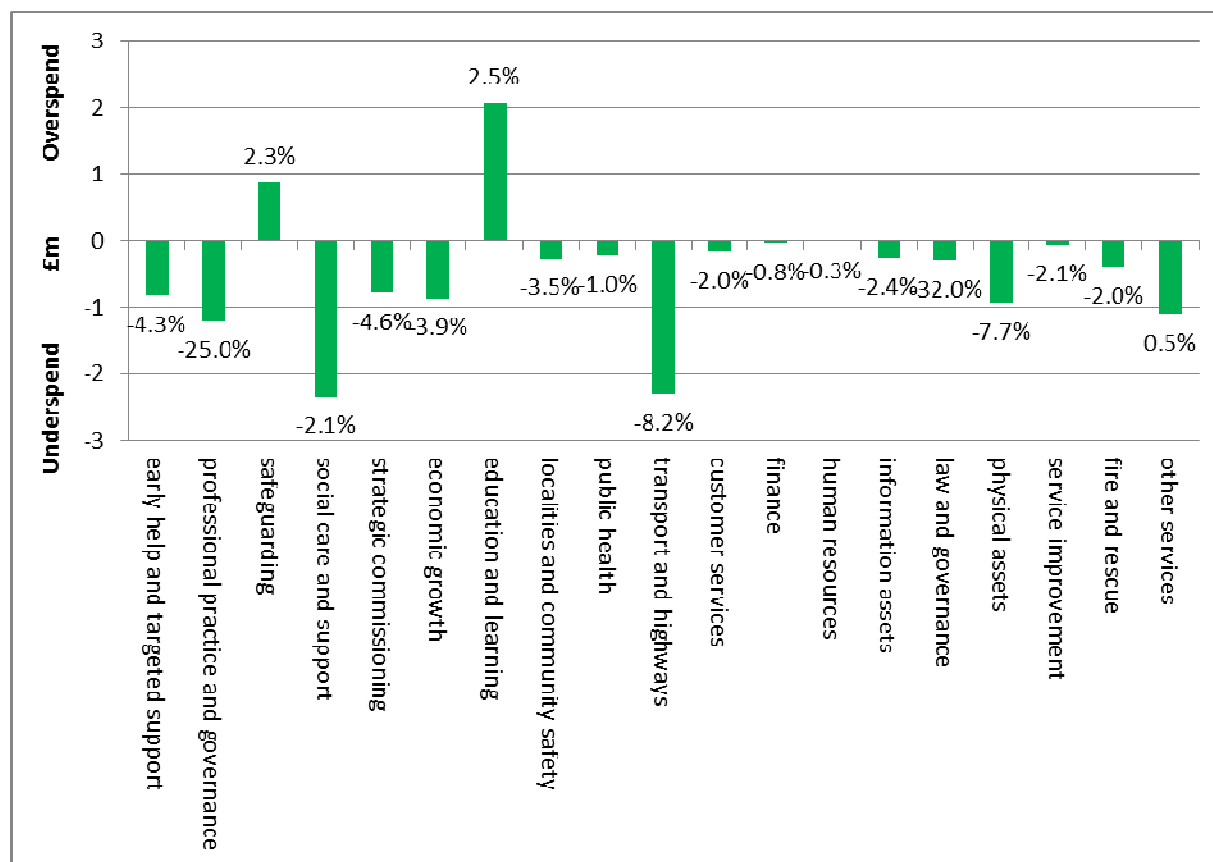
### What we have spent

We have spent £510 million of our revenue income to finance the various services we provide (excluding schools), as illustrated in the chart below.



## Revenue spending compared to our plans

The chart below sets out our financial performance, by Business Unit, in 2014/15 compared to the approved budget.



The key features of our financial performance in 2014/15 are:

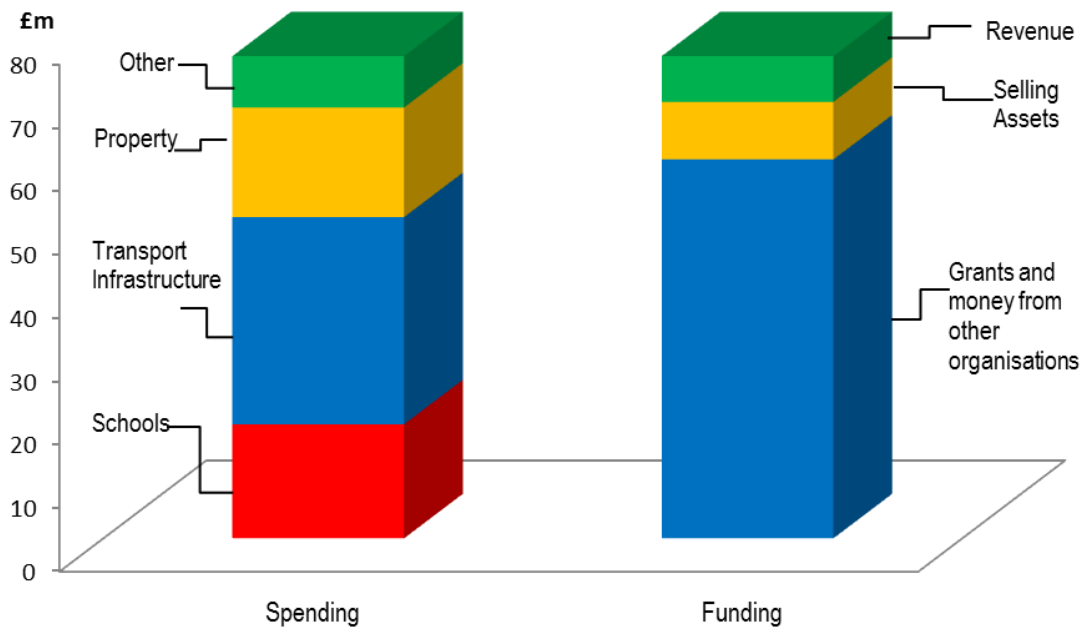
- Services spent £9 million less than their cash-limited budget.
- The planned £3 million contribution to reserves in 2014/15 was increased by the £9 million underspend and so we increased our reserves by £12 million.
- This funding is available to support investment and the delivery of savings over a longer period.

## Savings and efficiencies

2014/15 was the first year of our four-year One Organisational Plan. Implementation of this plan has requires savings of £69 million to be delivered, of which £18 million had been delivered by the end of 2014/15. £51million of savings remain to be delivered by the end of 2017/18. Progress on the delivery of savings is managed as part of quarterly progress reports on the delivery of the 2014-18 One Organisation Plan.

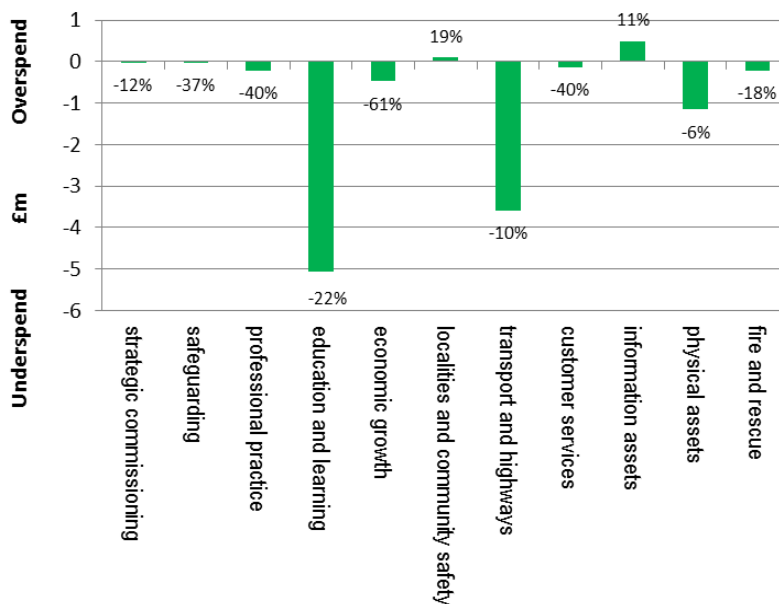
## Capital spending

We spent £76 million on the purchase and creation of assets in 2014/15. 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 £10 million less than our estimate of £86 million. This underspend was due to delays on individual projects. This spending is expected to be incurred in 2015/16.



The chart on the left sets out our capital spend, by Business Unit, in 2014/15 compared to the approved budget.

Our performance is monitored by Cabinet through the quarterly One Organisational Plan Progress report, which combines financial reporting with performance reporting. You can get more information on our overall 2014/15 revenue and capital spending and the delivery of our planned savings in the end-of-year One Organisational Plan Progress report to Cabinet on 11 June 2015

(<https://democratic.warwickshire.gov.uk/cm15/CurrentCommittees.aspx>)

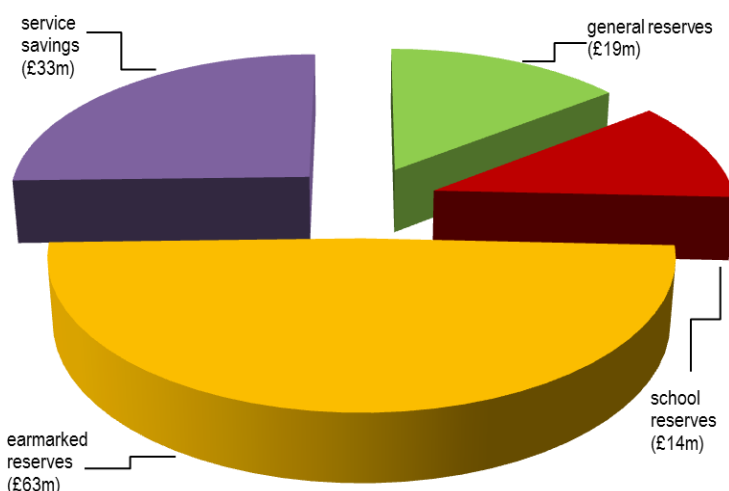
## The value of our assets

The value of our Property, Plant and Equipment assets has increased from £1,261 million to £1,264 million. These figures are after a change of accounting policy that has brought £325 million worth of voluntary controlled, voluntary aided and foundation school assets onto our Balance Sheet. The main reasons for the £3 million increase in the value of our assets during 2014/15 are:

- Schools valued at £14 million transferring to academy status during 2014/15, resulting in them no longer being part of our asset base;
- The sale of assets valued at £8 million as part of our on-going property rationalisation programme;
- £65 million investment in assets that we own; and
- A charge for the use of assets during the year of £38 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 2015 our usable revenue reserves are £129 million. A breakdown is shown in the chart on the left.

## Pensions

At 31 March 2015 our pensions' liability was £827 million, an increase of £162 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 2014/15 are:

- Whilst the average rate that financial institutions lend money to each other (LIBID) was 0.35% during 2014/15 our treasury management activity generated average interest on investments of 0.91%;

- 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 £378 million at 31 March 2015 compared to £384 million at 31 March 2014; and
- At 31 March 2015 we are holding £148 million of cash or cash equivalents, a decrease of £4 million from the previous year.

### **The 2014-18 One Organisation Plan**

In February 2014 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 2014/15 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. Within the overall medium term financial plan specific funding allocations to services will be adjusted to reflect changing levels of need within our communities and political priorities.

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 the remaining three years of our medium term financial plan includes:

- An allocation of £32 million for the estimated cost of inflation at a local level over the period 2015-18;
- A further allocation of £5 million a year to respond to 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 a further £51 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 17 March 2015 <https://democratic.warwickshire.gov.uk/cm5/CurrentCommittees.aspx> and in the 2014-18 Plan in the report to Council on 25 February 2014 <https://democratic.warwickshire.gov.uk/cm5/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  |
|---|--|
| <p><b>An accounting surplus of £16.8 million for 2014/15 has been reported; the outturn position is an £11.6 million surplus.</b></p> <p><i>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.</i></p> | <p><b>A decrease of £127.3 million in County Council net assets as at 31 March 2015.</b></p> <p><i>The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2015 the County Council's net worth was £300.6 million.</i></p>                         |
| Cash Flow Statement   | Movement in Reserves Statement   |
| <p><b>A net cash outflow of £4.3 million in 2014/15 in cash or cash equivalents.</b></p> <p><i>This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.</i></p>   | <p><b>An increase of £11.2 million in County Council usable reserves.</b></p> <p><i>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.</i></p> |

### 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

| <b>Movement in Reserves Statement - 2014/15</b>                                 | <b>General Fund<br/>£ m</b> | <b>Earmarked<br/>Reserves<br/>£ m</b> | <b>Capital Fund<br/>£ m</b> | <b>Capital Grants<br/>Unapplied<br/>£ m</b> | <b>Total Usable<br/>Reserves<br/>£ m</b> | <b>Unusable<br/>Reserves<br/>£ m</b> | <b>Total Authority<br/>Reserves<br/>£ m</b> |
|---|-----------------------------|---------------------------------------|-----------------------------|---|--|--------------------------------------|---|
| <b>Balance at 31 March 2014</b>   | <b>18.4</b>                 | <b>98.5</b>                           | <b>0.9</b>                  | <b>7.3</b>                                  | <b>125.1</b>                             | <b>302.8</b>                         | <b>427.9</b>                                |
| <b>Movement In Reserves During 2014/15</b>                                      |                             |                                       |                             |   |  |                                      |   |
| Surplus or deficit (-) on provision of services (accounting basis)              | 16.8                        | 0.0                                   | 0.0                         | 0.0   | 16.8                                     | 0.0                                  | 16.8  |
| Other Comprehensive Income and Expenditure                                      | 0.0                         | 0.0                                   | 0.0                         | 0.0   | 0.0                                      | -144.1                               | -144.1                                      |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>16.8</b>                 | <b>0.0</b>                            | <b>0.0</b>                  | <b>0.0</b>                                  | <b>16.8</b>                              | <b>-144.1</b>                        | <b>-127.3</b>                               |
| Adjustments between accounting basis & funding basis under regulations (note 1) | -5.2                        | 0.0                                   | 0.0                         | -0.4  | -5.6                                     | 5.6                                  | 0.0   |
| <b>Net Increase / Decrease (-) before Transfers to Earmarked Reserves</b>       | <b>11.6</b>                 | <b>0.0</b>                            | <b>0.0</b>                  | <b>-0.4</b>                                 | <b>11.2</b>                              | <b>-138.5</b>                        | <b>-127.3</b>                               |
| Transfers to / from (-) Earmarked Reserves (note 2)                             | -11.2                       | 11.1                                  | 0.1                         | 0.0   | 0.0                                      | 0.0                                  | 0.0   |
| <b>Increase / Decrease (-) in Year</b>  | <b>0.4</b>                  | <b>11.1</b>                           | <b>0.1</b>                  | <b>-0.4</b>                                 | <b>11.2</b>                              | <b>-138.5</b>                        | <b>-127.3</b>                               |
| <b>Balance at 31 March 2015</b>   | <b>18.8</b>                 | <b>109.6</b>                          | <b>1.0</b>                  | <b>6.9</b>                                  | <b>136.3</b>                             | <b>164.3</b>                         | <b>300.6</b>                                |

| <b>Movement in Reserves Statement - 2013/14 (Restated)</b>                        | <b>General Fund<br/>£ m</b> | <b>Earmarked<br/>Reserves<br/>£ m</b> | <b>Capital Fund<br/>£ m</b> | <b>Capital Grants<br/>Unapplied<br/>£ m</b> | <b>Total Usable<br/>Reserves<br/>£ m</b> | <b>Unusable<br/>Reserves<br/>£ m</b> | <b>Total Authority<br/>Reserves<br/>£ m</b> |
|---|-----------------------------|---------------------------------------|-----------------------------|---|--|--------------------------------------|---|
| <b>Balance at 31 March 2013 - Restated</b>  | <b>18.8</b>                 | <b>87.5</b>                           | <b>0.4</b>                  | <b>3.4</b>                                  | <b>110.1</b>                             | <b>323.1</b>                         | <b>433.2</b>                                |
| <b>Movement In Reserves During 2013/14</b>  |                             |                                       |                             |   |  |                                      |   |
| Surplus or deficit (-) on provision of services (accounting basis)                | -100.5                      | 0.0                                   | 0.0                         | 0.0   | -100.5                                   | 0.0                                  | -100.5                                      |
| Other Comprehensive Income and Expenditure  | 0.0                         | 0.0                                   | 0.0                         | 0.0   | 0.0                                      | 95.2                                 | 95.2  |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>-100.5</b>               | <b>0.0</b>                            | <b>0.0</b>                  | <b>0.0</b>                                  | <b>-100.5</b>                            | <b>95.2</b>                          | <b>-5.3</b>                                 |
| Adjustments between accounting basis and funding basis under regulations (note 1) | 111.0                       | 0.0                                   | 0.6                         | 3.9   | 115.5                                    | -115.5                               | 0.0   |
| <b>Net Increase / Decrease (-) before Transfers to Earmarked Reserves</b>         | <b>10.5</b>                 | <b>0.0</b>                            | <b>0.6</b>                  | <b>3.9</b>                                  | <b>15.0</b>                              | <b>-20.3</b>                         | <b>-5.3</b>                                 |
| Transfers to / from (-) Earmarked Reserves (note 2)                               | -10.9                       | 11.0                                  | -0.1                        | 0.0   | 0.0                                      | 0.0                                  | 0.0   |
| <b>Increase / Decrease (-) in Year</b>  | <b>-0.4</b>                 | <b>11.0</b>                           | <b>0.5</b>                  | <b>3.9</b>                                  | <b>15.0</b>                              | <b>-20.3</b>                         | <b>-5.3</b>                                 |
| <b>Balance at 31 March 2014</b>   | <b>18.4</b>                 | <b>98.5</b>                           | <b>0.9</b>                  | <b>7.3</b>                                  | <b>125.1</b>                             | <b>302.8</b>                         | <b>427.9</b>                                |

None of the general fund balance held is for schools as they hold a separate earmarked reserve (see note 2). The 2013/2014 Movement in Reserves Statement has been restated as a result of the change in the policy for accounting for schools assets. Details of the change are shown in Note 3 on page 33.

## Comprehensive Income and Expenditure Statement

| This section summarises our spending on services and where we got the money from. |                            |                               |   |                      |                 |                    |
|---|----------------------------|-------------------------------|---|----------------------|-----------------|--------------------|
| 2013/14   |                            |                               | Summary of revenue spending   | 2014/15              |                 |                    |
| Gross expenditure (Restated) £m   | Gross income (Restated) £m | Net expenditure (Restated) £m |   | Gross expenditure £m | Gross income £m | Net expenditure £m |
|   |                            |                               | <b>Money spent on services</b>  |                      |                 |                    |
| 13.2  | -1.7                       | 11.5                          | ~ cultural and related services   | 9.6                  | -1.5            | 8.1                |
| 33.4  | -3.3                       | 30.1                          | ~ environmental and regulatory services   | 25.7                 | -4.6            | 21.1               |
| 20.8  | -3.5                       | 17.3                          | ~ planning services   | 13.6                 | -9.0            | 4.6                |
| 471.9   | -307.8                     | 164.1                         | ~ children's and education services   | 411.2                | -293.8          | 117.4              |
| 30.5  | -0.2                       | 30.3                          | ~ fire and rescue services  | 28.3                 | -0.4            | 27.9               |
| 56.9  | -10.9                      | 46.0                          | ~ highways and transport services   | 56.7                 | -11.8           | 44.9               |
| 169.2   | -34.5                      | 134.7                         | ~ adult social care   | 166.0                | -33.8           | 132.2              |
| 24.1  | -22.6                      | 1.5                           | ~ public health   | 25.8                 | -22.6           | 3.2                |
| 10.4  | -0.2                       | 10.2                          | ~ housing services  | 9.7                  | -0.3            | 9.4                |
| 7.1   | -5.4                       | 1.7                           | ~ central services to the public  | 5.3                  | -4.7            | 0.6                |
| 6.6   | -0.2                       | 6.4                           | ~ corporate and democratic core   | 7.4                  | -0.3            | 7.1                |
| -6.9  | 0.0                        | -6.9                          | ~ non distributed costs   | -10.9                | 0.0             | -10.9              |
| <b>837.2</b>  | <b>-390.3</b>              | <b>446.9</b>                  | <b>Net cost of services (total continuing services) (note 3)</b>                                  | <b>748.4</b>         | <b>-382.8</b>   | <b>365.6</b>       |
| 34.5  | 0.0                        | 34.5                          | ~ Other operating expenditure (note 4)  | 16.8                 | 0.0             | 16.8               |
| 60.8  | -13.5                      | 47.3                          | ~ Financing and investment income and expenditure (note 5)  | 59.2                 | -21.0           | 38.2               |
| 0.0   | -428.2                     | -428.2                        | ~ Taxation and non-specific grant income and expenditure (note 6)                                 | 0.0                  | -437.4          | -437.4             |
| <b>932.5</b>  | <b>-832.0</b>              | <b>100.5</b>                  | <b>Surplus (-) or deficit on the provision of services</b>  | <b>824.4</b>         | <b>-841.2</b>   | <b>-16.8</b>       |
|   |                            |                               | <b>Items that will not be reclassified to the surplus(-)/deficit on the provision of services</b> |                      |                 |                    |
| -67.1   |                            | -67.1                         | ~ Surplus (-) or deficit on revaluation of property, plant and equipment                          | 1.9                  |                 | 1.9                |
| 0.0   |                            | 0.0                           | ~ Surplus or deficit on revaluation of available for sale financial assets                        | -2.6                 |                 | -2.6               |
| -28.1   |                            | -28.1                         | ~ Remeasurements of the net defined benefit liability/(asset)                                     | 144.8                |                 | 144.8              |
| <b>-95.2</b>  | <b>0.0</b>                 | <b>-95.2</b>                  | <b>Other comprehensive income and expenditure</b>   | <b>144.1</b>         | <b>0.0</b>      | <b>144.1</b>       |
|   |                            |                               |   |                      |                 |                    |
| <b>837.3</b>  | <b>-832.0</b>              | <b>5.3</b>                    | <b>Total comprehensive income and expenditure</b>   | <b>968.5</b>         | <b>-841.2</b>   | <b>127.3</b>       |

## Balance Sheet as at 31 March 2015

The Balance Sheet at 31 March 2014 has been restated and the comparator third Balance Sheet at 31 March 2013 included as a result of the change in accounting policy for school assets. Details are shown in Note 3 on page 33.

| 2013<br>(Restated)<br>£ m | 2014<br>(Restated)<br>£ m | Balance Sheet as at 31 March                          | 2015<br>£ m     | Notes |
|---------------------------|---------------------------|---|-----------------|-------|
| 1,296.1                   | 1,261.3                   | Property, plant and equipment                         | 1,264.2         | 8     |
| 20.5                      | 25.5                      | Investment property                                   | 29.2            | 11    |
| 3.9                       | 4.0                       | Heritage assets                                       | 4.0             | 10    |
| 2.2                       | 1.7                       | Intangible assets                                     | 1.9             | 12    |
| 0.1                       | 0.0                       | Long-term investments                                 | 0.3             |       |
| 0.1                       | 0.1                       | Long-term debtors                                     | 0.0             |       |
| <b>1,322.9</b>            | <b>1,292.6</b>            | <b>Total long-term assets</b>                         | <b>1,299.6</b>  |       |
|                           |                           | <b>Current assets</b>                                 |                 |       |
| 111.0                     | 81.6                      | Short-term investments                                | 118.5           |       |
| 0.5                       | 0.6                       | Inventories   | 0.6             |       |
| 51.7                      | 45.6                      | Short-term debtors                                    | 49.4            | 14    |
| 123.2                     | 152.2                     | Cash and cash equivalents                             | 147.9           | 15    |
| 0.7                       | 0.9                       | Assets held for sale                                  | 0.0             | 16    |
| 0.4                       | 0.0                       | Landfill Allowances Account                           | 0.0             |       |
| <b>287.5</b>              | <b>280.9</b>              | <b>Total current assets</b>                           | <b>316.4</b>    |       |
|                           |                           | <b>Current liabilities</b>                            |                 |       |
| -4.0                      | -2.7                      | Provisions (settlement within 12 months)              | -4.7            | 18    |
| -15.3                     | -2.5                      | Short-term borrowing                                  | -5.1            | 37    |
| -91.4                     | -75.4                     | Short-term creditors                                  | -84.2           | 17    |
| 0.0                       | -0.1                      | Finance lease liability                               | 0.0             |       |
| -1.7                      | -0.2                      | Grants received in advance - revenue                  | -0.4            | 24    |
| <b>-112.4</b>             | <b>-80.9</b>              | <b>Total current liabilities</b>                      | <b>-94.4</b>    |       |
| <b>175.1</b>              | <b>200.0</b>              | <b>Current assets less current liabilities</b>        | <b>222.0</b>    |       |
| -2.6                      | -2.5                      | Provisions (settlement over 12 months)                | -2.5            | 18    |
| -386.0                    | -383.5                    | Long-term borrowing                                   | -378.4          | 37    |
| -18.3                     | -13.3                     | Capital grants received in advance                    | -12.7           | 24    |
|                           |                           | Other long-term liabilities                           |                 |       |
| -0.2                      | 0.0                       | ~ Finance lease liability                             | 0.0             |       |
| -657.7                    | -665.4                    | ~ Liability related to defined benefit pension scheme | -827.4          | 20    |
| <b>-1,064.8</b>           | <b>-1,064.7</b>           | <b>Long-term liabilities</b>                          | <b>-1,221.0</b> |       |
| <b>433.2</b>              | <b>427.9</b>              | <b>Net assets</b>                                     | <b>300.6</b>    |       |
| 110.1                     | 125.1                     | Usable reserves                                       | 136.3           | 19    |
| 323.1                     | 302.8                     | Unusable reserves                                     | 164.3           | 20    |
| <b>433.2</b>              | <b>427.9</b>              | <b>Total reserves</b>                                 | <b>300.6</b>    |       |



John Betts  
Head of Finance  
24 September 2015

## Cash Flow Statement

| Year ended 31<br>March 2014<br>Restated<br>£ m | Cash Flow Statement  | Year ended 31<br>March 2015<br>£ m |
|--|--|------------------------------------|
| 14.2   | Operating activities (note 21)                               | 32.3                               |
| 20.4   | Investing activities (note 22)                               | -33.9                              |
| -5.6   | Financing activities (note 23)                               | -2.7                               |
| <b>29.0</b>                                    | <b>Net increase or decrease in cash and cash equivalents</b> | <b>-4.3</b>                        |

| Year ended 31<br>March 2014<br>£ m | Reconciliation to movement in cash and cash equivalents            | Year ended 31<br>March 2015<br>£ m |
|------------------------------------|--|------------------------------------|
| 123.2                              | Cash and cash equivalents at the beginning of the reporting period | 152.2                              |
| 152.2                              | Cash and cash equivalents at the end of the reporting period       | 147.9                              |
| <b>29.0</b>                        | <b>Movement in cash and cash equivalents</b>                       | <b>-4.3</b>                        |

## 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 2014/15 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 from the sale of goods or the provision of services is recorded in our accounts when we are owed it rather than when we receive it. Expenditure is recorded in our accounts when services are provided, rather than when we actually make a payment and supplies are recorded as expenditure when we use them. Where income and expenditure have been recognised but cash has not been received/paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de minimis level for non-system generated accruals of £50,000 that managers can use if they wish. We do not expect the effect to be material to the overall accounting position.

### 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.

### 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 58. These are not included in our Balance Sheet.

### 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 58. These are not included in our Balance Sheet.

## **Employee benefits**

### Benefits payable during employment

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, 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.

### 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, our accounting policies in relation to them and their impact on the financial statements are shown in note 39 on pages 62 to 73.

## **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.

## **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. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

We have changed our accounting policy for schools assets. This has meant we have to produce a third balance sheet which shows the Balance Sheet as at 31 March 2013 as well as a restated Comprehensive Income and Expenditure Statement, Movement in Reserves statement and associated notes as at 31 March 2014 and 31 March 2013. The effect of these changes on the financial statements are shown in note 3 on page 33.

## **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 a number of investments which are classed as loans and receivables.

We make available a car loan facility at below market rates as well as 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 recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and 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 Leazes 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 [www.warwickshire.gov.uk](http://www.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.

### **Investment property**

Investment property assets are those held for rental purposes or capital value appreciation. They are not used for the delivery of services. It is initially measured at cost. Investment property is not depreciated but 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. Gains and losses on revaluation are shown in the financing and investment income and expenditure line as disposal as well as any rental income in the Comprehensive Income and Expenditure Statement.

### **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.

Where we grant an operating lease over a property or item of plant or equipment the asset is retained on the Balance Sheet and the rental income is credited to the Comprehensive Income and Expenditure Statement.

### **Minimum Revenue Provision**

We are required to make an annual contribution from revenue for the repayment of our debt as approved in our Treasury Management Policy. 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 2014/15 all support service costs are apportioned fully to services on a relevant basis. These include employee numbers, IT network access users and gross spend. The two categories of cost that are not charged out to services are corporate and democratic core costs and non-distributed costs (see glossary).

## **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 2015 were valued in the following ways:

- Land and buildings are included in the Balance Sheet at their fair 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 fair 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 PPE 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 were revalued at 31 March 2014. Based on the professional assessment by our valuer we also 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 and revaluation losses

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 investment 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 2013/14 valuers supplied new estimates of our assets' useful economic lives. These estimates are reflected in the depreciation charges for 2014/15.

### **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.
- A reliable estimate can be made.
- 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 46.
- We keep a separate reserve to hold unused cash we receive from non-current 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. 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.

#### **School Assets**

The balance of control for local authority maintained schools is deemed to lie with the local authority. We therefore recognise schools assets, liabilities, reserves and cash flows in our financial statements as if there were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset.

#### **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 - 2014/15  |                      |              |                          |                          |  |
|---|----------------------|--------------|--------------------------|--------------------------|--|
|   | General Fund Balance | Capital Fund | Capital Receipts Reserve | Capital Grants Unapplied | Movement in Unusable Reserves net spending |
|   | £ m                  | £ m          | £ m                      | £ m                      | £ m  |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>   |                      |              |                          |                          |  |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</u>  |                      |              |                          |                          |  |
| ~ Charges for depreciation of non-current assets  | 38.0                 |              |                          |                          | -38.0                                      |
| ~ Revaluation losses on property, plant and equipment non-current assets  | 0.6                  |              |                          |                          | -0.6                                       |
| ~ prior period adjustments revaluation through NCS  | 0.2                  |              |                          |                          | -0.2                                       |
| ~ Movements in the market value of investment properties  | -5.8                 |              |                          |                          | 5.8  |
| ~ Amortisation of intangible assets   | 0.5                  |              |                          |                          | -0.5                                       |
| ~ Capital grants and contributions applied  | -60.8                |              |                          |                          | 60.8                                       |
| ~ Revenue expenditure funded from capital under statute   | 10.0                 |              |                          |                          | -10.0                                      |
| ~ Amounts of non-current assets written off on disposal to the CIES   | 25.6                 |              |                          |                          | -25.6                                      |
| <u>Insertion of items not debited or credited to the CIES</u>   |                      |              |                          |                          |  |
| ~ Statutory provision for the repayment of debt   | -15.9                |              |                          |                          | 15.9                                       |
| ~ Capital expenditure charged to the General Fund Balance   | -7.2                 |              |                          |                          | 7.2  |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>   |                      |              |                          |                          |  |
| ~ Capital grants and contributions unapplied credited to the CIES   | 7.2                  |              |                          | -7.2                     | 0.0  |
| ~ Application of grants to capital financing transferred to Capital Adjustment Account  | -6.8                 |              |                          | 6.8                      | 0.0  |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                      |              |                          |                          |  |
| ~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES  | -9.2                 |              | 9.2                      |                          | 0.0  |
| ~ Use of the Capital Receipts Reserve to finance new capital expenditure  |                      |              | -9.1                     |                          | 9.1  |
| ~ Contribution from the Capital Receipts Reserve/Capital Fund to administrative costs of non-current asset disposals  | 0.1                  |              | -0.1                     |                          | 0.0  |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>   |                      |              |                          |                          |  |
| ~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements                                       | 0.1                  |              |                          |                          | -0.1                                       |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                      |              |                          |                          |  |
| ~ Grant funding of fire-fighters pension liabilities  | -4.7                 |              |                          |                          | 4.7  |
| ~ Reversal of net charges made for retirement benefits in accordance with IAS 19  | 60.1                 |              |                          |                          | -60.1                                      |
| ~ Employers pensions contributions and direct payments to pensioners payable in the year  | -38.2                |              |                          |                          | 38.2                                       |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>   |                      |              |                          |                          |  |
| ~ 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                | 0.4                  |              |                          |                          | -0.4                                       |
| ~ 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          | 0.7                  |              |                          |                          | -0.7                                       |
| <b>Adjustment primarily involving the Accumulated Absences Account</b>  |                      |              |                          |                          |  |
| ~ 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 | -0.1                 |              |                          |                          | 0.1  |
| <b>Total adjustments</b>  | <b>-5.2</b>          | <b>0.0</b>   | <b>0.0</b>               | <b>-0.4</b>              | <b>5.6</b>                                 |

| <b>Adjustments between accounting basis and funding basis under regulations - 2013/14<br/>Restated</b>  | <b>General Fund Balance<br/>£ m</b> | <b>Capital Fund<br/>£ m</b> | <b>Capital Receipts Reserve<br/>£ m</b> | <b>Capital Grants Unapplied<br/>£ m</b> | <b>Movement in Unusable Reserves net spending<br/>£ m</b> |
|---|-------------------------------------|-----------------------------|---|---|---|
| <b>Adjustments primarily involving the Capital Adjustment Account</b>   |                                     |                             |   |   |   |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):   |                                     |                             |   |   |   |
| ~ Charges for depreciation of non-current assets  | 47.0                                |                             |   |   | -47.0   |
| ~ Revaluation losses on property, plant and equipment assets  | 66.1                                |                             |   |   | -66.1   |
| ~ Gain 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   | 0.5                                 |                             |   |   | -0.5  |
| ~ Capital grants and contributions applied  | -46.0                               |                             |   |   | 46.0  |
| ~ Revenue expenditure funded from capital under statute   | 9.3                                 |                             |   |   | -9.3  |
| ~ Amounts of non-current assets written off on disposal to the CIES   | 50.6                                |                             |   |   | -50.6   |
| <u>Insertion of items not debited or credited to the CIES</u>   |                                     |                             |   |   |   |
| ~ Statutory provision for the repayment of debt   | -16.7                               |                             |   |   | 16.7  |
| ~ Capital expenditure charged to the General Fund Balance   | -13.4                               |                             |   |   | 13.4  |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>   |                                     |                             |   |   |   |
| ~ 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   |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                                     |                             |   |   |   |
| ~ 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 Capital Receipts Reserve to finance new capital expenditure  |                                     |                             | -16.2                                   |   | 16.2  |
| ~ Contribution from Capital Receipts Reserve to administrative costs of non-current asset disposals   | -0.6                                | 0.6                         |   |   | 0.0   |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>   |                                     |                             |   |   |   |
| ~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements                                       | 0.1                                 |                             |   |   | -0.1  |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                                     |                             |   |   |   |
| ~ 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  |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>   |                                     |                             |   |   |   |
| ~ 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  |
| <b>Adjustment primarily involving the Accumulated Absences Account</b>  |                                     |                             |   |   |   |
| ~ 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  |
| <b>Total adjustments</b>  | <b>111.0</b>                        | <b>0.6</b>                  | <b>0.0</b>                              | <b>3.9</b>                              | <b>-115.5</b>   |

**Note 2: Transfers to/from earmarked reserves**

| Movement in earmarked reserves                                    | Balance at 1 April | Transfers   |             | Balance at 31 March | Transfers   |             | Balance at 31 March |
|---|--------------------|-------------|-------------|---------------------|-------------|-------------|---------------------|
|   | 2013               | Out         | In          | 2014                | Out         | In          | 2015                |
|   | £ m                | £ m         | £ m         | £ m                 | £ m         | £ m         | £ m                 |
| Schools Balances (under a scheme of delegation)                   | 18.9               | -1.4        | 0.0         | 17.5                | -3.1        | 0.0         | 14.4                |
| Insurance Fund  | 8.0                | 0.0         | 1.0         | 9.0                 | -0.7        | 0.2         | 8.5                 |
| DSG Reserve   | 0.2                | 0.0         | 1.0         | 1.2                 | -1.2        | 0.0         | 0.0                 |
| Equal Pay Reserve   | 1.7                | -1.7        | 0.0         | 0.0                 | 0.0         | 0.0         | 0.0                 |
| IT for Schools  | -0.1               | 0.0         | 0.1         | 0.0                 | -0.2        |             | -0.2                |
| PFI Credits Reserve   | 0.6                | -0.4        | 0.0         | 0.2                 | -0.2        |             | 0.0                 |
| NNDR Appeals Reserve  | 0.0                | 0.0         | 1.0         | 1.0                 |             |             | 1.0                 |
| NNDR Pool Reserve   | 0.0                | -0.5        | 0.0         | -0.5                |             | 0.4         | -0.1                |
| Service Realignment Fund  | 1.2                | 0.0         | 10.1        | 11.3                |             | 0.6         | 11.9                |
| Capacity Building Fund  | 0.9                | 0.0         | 0.5         | 1.4                 |             |             | 1.4                 |
| Elections Reserve   | 0.3                | -0.3        | 0.0         | 0.0                 |             | 0.2         | 0.2                 |
| Medium Term Contingency   | 13.3               |             |             | 13.3                |             | 7.2         | 20.5                |
| Social Care Support Savings                                       | 12.4               | -3.6        |             | 8.8                 |             | 3.5         | 12.3                |
| Strategic Commissioning Savings                                   | 2.5                |             | 5.5         | 8.0                 | -3.2        |             | 4.8                 |
| Other Business Unit savings and earmarked reserves (net movement) | 27.6               | -0.3        |             | 27.3                |             | 7.6         | 34.9                |
| <b>Total</b>  | <b>87.5</b>        | <b>-8.2</b> | <b>19.2</b> | <b>98.5</b>         | <b>-8.6</b> | <b>19.7</b> | <b>109.6</b>        |

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 One Organisational Plan Progress Report. Reports and are available via [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk).

**Note 3: Restatement of prior year figures**

In accordance with our agreed policy for accounting for schools we added £325.0 million to our property plant and equipment on 1 April 2013. This resulted in an increase of the same amount in our property, plant and equipment from £971.1 million to £1,296.1 million. This adjustment was also posted to the Capital Adjustment Account (an unusable reserve) on that date. This has resulted in an increase in the Balance Sheet Net Assets and Total Reserves from £108.2 million to £433.2 million. All financial statements and associated notes have been adjusted accordingly.

**Note 4: Other operating expenditure**

| 2013/14<br>£ m | Other operating expenditure                                      | 2014/15<br>£ m |
|----------------|--|----------------|
| 0.2            | Levies - Environment Agency Levy                                 | 0.2            |
| 0.1            | Gains (-) / losses on disposal of current assets - held for sale | 0.0            |
| 34.2           | Losses on disposal/transfer of non-current assets                | 16.6           |
| <b>34.5</b>    |  | <b>16.8</b>    |

**Note 5: Financing and investment income and expenditure**

| 2013/14<br>£ m | Financing and investment income and expenditure                                 | 2014/15<br>£ m |
|----------------|---|----------------|
| 19.1           | Interest payable and similar charges  | 18.9           |
| 29.3           | Net interest on the net defined benefit liability (asset)                       | 28.1           |
| -1.1           | Interest receivable and similar income  | -2.7           |
| -11.2          | Trading account income  | -12.3          |
| 12.4           | Trading account expenditure   | 12.0           |
| -1.0           | Income and expenditure on investment properties and changes in their fair value | -5.8           |
| 0.0            | Other investment expenditure  | 0.2            |
| -0.2           | Other investment income   | -0.2           |
| <b>47.3</b>    |   | <b>38.2</b>    |

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

| 2013/14<br>£ m | Taxation and Non Specific Grant Incomes   | 2014/15<br>£ m |
|----------------|---|----------------|
| 213.0          | Council tax income                        | 221.4          |
|                | Non domestic rates income and expenditure |                |
| 33.8           | ~ Retained business rates                 | 34.5           |
| 21.6           | ~ Business rates top up                   | 22.8           |
| 0.1            | Business rates pool growth (WCC share)    | 0.1            |
| 84.2           | Revenue Support Grant                     | 73.4           |
|                | Other non-ringfenced Government grants    |                |
| 3.7            | ~ Fire Pensions Fund Grant (gain)         | 4.7            |
| 27.1           | ~ Revenue grants                          | 25.5           |
| 44.7           | ~ Capital grants and contributions        | 55.0           |
| <b>428.2</b>   |   | <b>437.4</b>   |

**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 end-of-year One Organisation Plan Year End Report is shown in the tables below. The report can be accessed via our committee administration system at [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk).

| <b>Segmental reporting analysis 2014/15</b> | <b>People Group<br/>£ m</b> | <b>Communities Group<br/>£ m</b> | <b>Fire and Rescue Service<br/>£ m</b> | <b>Resources Group<br/>£ m</b> | <b>Other Services<br/>£ m</b> | <b>Schools<br/>£ m</b> | <b>Total<br/>£ m</b> |
|---|-----------------------------|----------------------------------|--|--------------------------------|-------------------------------|------------------------|----------------------|
| Fees, charges and other service income      | -36.2                       | -26.8                            | -0.4                                   | -13.9                          | 0.2                           | -16.5                  | -93.6                |
| Government grants                           | -2.3                        | -5.8                             | 0.0                                    | -0.2                           | -177.1                        | -267.7                 | -453.1               |
| Interest and investment income              | 0.0                         | 0.0                              | 0.0                                    | 0.0                            | -2.7                          | 0.0                    | -2.7                 |
| <b>Total income</b>                         | <b>-38.5</b>                | <b>-32.6</b>                     | <b>-0.4</b>                            | <b>-14.1</b>                   | <b>-179.6</b>                 | <b>-284.2</b>          | <b>-549.4</b>        |
| Employee expenses                           | 50.0                        | 44.0                             | 16.1                                   | 48.6                           | 3.6                           | 184.8                  | 347.1                |
| Other service expenses                      | 172.6                       | 168.8                            | 4.8                                    | 14.5                           | 36.7                          | 53.9                   | 451.3                |
| Support service recharges                   | 15.8                        | 13.1                             | 2.8                                    | -34.9                          | 3.4                           | 0.0                    | 0.2                  |
| <b>Total operating expenses</b>             | <b>238.4</b>                | <b>225.9</b>                     | <b>23.7</b>                            | <b>28.2</b>                    | <b>43.7</b>                   | <b>238.7</b>           | <b>798.6</b>         |
| <b>Cost of services</b>                     | <b>199.9</b>                | <b>193.3</b>                     | <b>23.3</b>                            | <b>14.1</b>                    | <b>-135.9</b>                 | <b>-45.5</b>           | <b>249.2</b>         |

| <b>Segmental reporting analysis 2013/14</b> | <b>People Group<br/>£ m</b> | <b>Communities Group<br/>£ m</b> | <b>Fire and Rescue Service<br/>£ m</b> | <b>Resources Group<br/>£ m</b> | <b>Other Services<br/>£ m</b> | <b>Schools<br/>£ m</b> | <b>Total<br/>£ m</b> |
|---|-----------------------------|----------------------------------|--|--------------------------------|-------------------------------|------------------------|----------------------|
| Fees, charges and other service income      | -39.7                       | -21.8                            | -0.2                                   | -12.3                          | -1.2                          | -18.8                  | -94.0                |
| Government grants                           | -4.6                        | -2.7                             | 0.0                                    | -0.1                           | -187.9                        | -275.1                 | -470.4               |
| Interest and investment income              | 0.0                         | 0.0                              | 0.0                                    | 0.0                            | -1.1                          | 0.0                    | -1.1                 |
| <b>Total income</b>                         | <b>-44.3</b>                | <b>-24.5</b>                     | <b>-0.2</b>                            | <b>-12.4</b>                   | <b>-190.2</b>                 | <b>-293.9</b>          | <b>-565.5</b>        |
| 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                  |
| <b>Total operating expenses</b>             | <b>330.6</b>                | <b>120.7</b>                     | <b>23.7</b>                            | <b>29.6</b>                    | <b>47.2</b>                   | <b>260.0</b>           | <b>811.8</b>         |
| <b>Cost of services</b>                     | <b>286.3</b>                | <b>96.2</b>                      | <b>23.5</b>                            | <b>17.2</b>                    | <b>-143.0</b>                 | <b>-33.9</b>           | <b>246.3</b>         |

In 2014/15 the operational management of Education and Learning transferred from People Group to Communities Group. This is the major reason for the change in the figures between financial years.

## 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.

| 2013/2014<br>£ m | Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement | 2014/2015<br>£ m |
|------------------|--|------------------|
| 246.3            | Cost of services in service analysis   | 249.2            |
| 82.4             | Add amounts not reported to management   | -1.1             |
| 118.2            | Remove amounts reported to management not included in CIES                               | 117.5            |
| <b>446.9</b>     | <b>Net cost of services in CIES</b>  | <b>365.6</b>     |

| Reconciliation to subjective analysis - 2014/15         | Service analysis<br>£ m | Not reported to management<br>£ m | Not included in CIES<br>£ m | Net cost of services<br>£ m | Corporate amounts<br>£ m | Total<br>£ m  |
|---|-------------------------|-----------------------------------|-----------------------------|-----------------------------|--------------------------|---------------|
| Fees, charges and other service income                  | -93.6                   | 0.0                               | 12.5                        | -81.1                       | -12.5                    | -93.6         |
| Government grants and contributions                     | -453.1                  | -5.5                              | 156.9                       | -301.7                      | -216.0                   | -517.7        |
| Interest and investment income                          | -2.7                    | 0.0                               | 2.7                         | 0.0                         | -8.5                     | -8.5          |
| Income from council tax                                 | 0.0                     | 0.0                               | 0.0                         | 0.0                         | -221.4                   | -221.4        |
| <b>Total income</b>                                     | <b>-549.4</b>           | <b>-5.5</b>                       | <b>172.1</b>                | <b>-382.8</b>               | <b>-458.4</b>            | <b>-841.2</b> |
| Employee expenses                                       | 347.1                   | -6.3                              | 0.0                         | 340.8                       | 0.0                      | 340.8         |
| Other service expenses                                  | 451.3                   | 10.1                              | -54.6                       | 406.8                       | 40.3                     | 447.1         |
| Support service recharges                               | 0.2                     | 0.0                               | 0.0                         | 0.2                         | 0.0                      | 0.2           |
| Impairment and revaluation losses                       | 0.0                     | 0.6                               | 0.0                         | 0.6                         | 0.0                      | 0.6           |
| Interest payments                                       | 0.0                     | 0.0                               | 0.0                         | 0.0                         | 18.9                     | 18.9          |
| 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                         | 16.6                     | 16.6          |
| <b>Total operating expenses</b>                         | <b>798.6</b>            | <b>4.4</b>                        | <b>-54.6</b>                | <b>748.4</b>                | <b>76.0</b>              | <b>824.4</b>  |
| <b>Surplus (-)/deficit on the provision of services</b> | <b>249.2</b>            | <b>-1.1</b>                       | <b>117.5</b>                | <b>365.6</b>                | <b>-382.4</b>            | <b>-16.8</b>  |

| <b>Reconciliation to subjective analysis - 2013/14<br/>Restated</b> | <b>Service<br/>analysis<br/>£ m</b> | <b>Not reported to<br/>management<br/>£ m</b> | <b>Not included in<br/>CIES<br/>£ m</b> | <b>Net cost of<br/>services<br/>£ m</b> | <b>Corporate<br/>amounts<br/>£ m</b> | <b>Total<br/>£ m</b> |
|---|-------------------------------------|---|---|---|--------------------------------------|----------------------|
| Fees, charges and other service income                              | -94.0                               | 0.0   | 11.4                                    | <b>-82.6</b>                            | -11.4                                | <b>-94.0</b>         |
| Government grants and contributions                                 | -470.4                              | -5.2  | 167.9                                   | <b>-307.7</b>                           | -216.2                               | <b>-523.9</b>        |
| Interest and investment income                                      | -1.1                                | 0.0   | 1.1                                     | <b>0.0</b>                              | -1.1                                 | <b>-1.1</b>          |
| Income from council tax   | 0.0                                 | 0.0   | 0.0                                     | <b>0.0</b>                              | -213.0                               | <b>-213.0</b>        |
| <b>Total income</b>   | <b>-565.5</b>                       | <b>-5.2</b>                                   | <b>180.4</b>                            | <b>-390.3</b>                           | <b>-441.7</b>                        | <b>-832.0</b>        |
| Employee expenses   | 345.7                               | 12.2  | 0.0                                     | <b>357.9</b>                            | 0.0                                  | <b>357.9</b>         |
| Other service expenses  | 465.8                               | 9.3   | -62.2                                   | <b>412.9</b>                            | 41.8                                 | <b>454.7</b>         |
| Support service recharges   | 0.3                                 | 0.0   | 0.0                                     | <b>0.3</b>                              | 0.0                                  | <b>0.3</b>           |
| Impairment and revaluation losses                                   | 0.0                                 | 66.1  | 0.0                                     | <b>66.1</b>                             | 0.0                                  | <b>66.1</b>          |
| Interest payments   | 0.0                                 | 0.0   | 0.0                                     | <b>0.0</b>                              | 19.1                                 | <b>19.1</b>          |
| Precepts and levies   | 0.0                                 | 0.0   | 0.0                                     | <b>0.0</b>                              | 0.2                                  | <b>0.2</b>           |
| Gain or loss on disposal of fixed assets                            | 0.0                                 | 0.0   | 0.0                                     | <b>0.0</b>                              | 34.2                                 | <b>34.2</b>          |
| <b>Total operating expenses</b>                                     | <b>811.8</b>                        | <b>87.6</b>                                   | <b>-62.2</b>                            | <b>837.2</b>                            | <b>95.3</b>                          | <b>932.5</b>         |
| <b>Surplus (-)/deficit on the provision of services</b>             | <b>246.3</b>                        | <b>82.4</b>                                   | <b>118.2</b>                            | <b>446.9</b>                            | <b>-346.4</b>                        | <b>100.5</b>         |

**Note 8: Property, plant and equipment**

| <b>Property, plant and equipment<br/>Restated</b>                                      | <b>Land and buildings<br/>£ m</b> | <b>Surplus assets<br/>£ m</b> | <b>Vehicles, machinery,<br/>furniture and<br/>equipment<br/>£ m</b> | <b>Roads and bridges<br/>£ m</b> | <b>Country parks &amp; open<br/>spaces<br/>£ m</b> | <b>Assets under<br/>construction<br/>£ m</b> | <b>Total<br/>£ m</b> |
|--|-----------------------------------|-------------------------------|---|----------------------------------|--|--|----------------------|
| Gross book value at 1 April 2014   | 860.5                             | 3.8                           | 56.6  | 468.4                            | 3.3  | 21.2   | 1,413.8              |
| Depreciation balance at 1 April 2014   | -1.1                              | -0.1                          | -35.5   | -115.8                           | 0.0  | 0.0  | -152.5               |
| <b>Net book value at 1 April 2014</b>  | <b>859.4</b>                      | <b>3.7</b>                    | <b>21.1</b>   | <b>352.6</b>                     | <b>3.3</b>   | <b>21.2</b>                                  | <b>1,261.3</b>       |
| <b>Changes in the year</b>   |                                   |                               |   |                                  |  |  |                      |
| ~ opening balance adjustment   | 0.3                               | 0.0                           | 0.0   | 0.0                              | 0.0  | 0.0  | 0.3                  |
| ~ reclassifications  | 1.1                               | -0.1                          | 0.0   | 0.0                              | 0.0  | 2.8  | 3.8                  |
| ~ spending on assets   | 19.7                              | 0.0                           | 3.4   | 25.6                             | 0.1  | 15.9   | 64.7                 |
| ~ land swap gain   | 1.0                               | 0.0                           | 0.0   | 0.0                              | 0.0  | 0.0  | 1.0                  |
| ~ transfer of assets under construction to<br>operational assets on project completion | 6.7                               | 0.0                           | 0.6   | 3.4                              | 0.0  | -11.2  | -0.5                 |
| ~ value of assets we have sold/transferred   | -20.8                             | -1.2                          | -2.3  | 0.0                              | 0.0  | -2.9   | -27.2                |
| ~ changes in the value of assets: revaluation  | -6.3                              | 0.0                           | 0.0   | 0.0                              | 0.0  | 0.0  | -6.3                 |
| <b>Depreciation</b>  |                                   |                               |   |                                  |  |  |                      |
| ~ opening balance adjustment on depreciation   | 1.0                               | 0.1                           | -1.1  | 0.0                              | 0.0  | 0.0  | 0.0                  |
| ~ depreciation written off on revaluation  | 2.5                               | 0.0                           | 0.0   | 0.0                              | 0.0  | 0.0  | 2.5                  |
| ~ depreciation written off on disposal   | 0.4                               | 0.0                           | 2.2   | 0.0                              | 0.0  | 0.0  | 2.6                  |
| ~ depreciation   | -16.7                             | -0.1                          | -5.5  | -15.6                            | -0.1   | 0.0  | -38.0                |
| <b>Net book value at 31 March 2015</b>   | <b>848.3</b>                      | <b>2.4</b>                    | <b>18.4</b>   | <b>366.0</b>                     | <b>3.3</b>   | <b>25.8</b>                                  | <b>1,264.2</b>       |
| Gross book value at 31 March 2015  | 862.2                             | 2.5                           | 58.3  | 497.4                            | 3.4  | 25.8   | 1,449.6              |
| Depreciation balance at 31 March 2015  | -13.9                             | -0.1                          | -39.9   | -131.4                           | -0.1   | 0.0  | -185.4               |
| <b>Net book value at 31 March 2015</b>   | <b>848.3</b>                      | <b>2.4</b>                    | <b>18.4</b>   | <b>366.0</b>                     | <b>3.3</b>   | <b>25.8</b>                                  | <b>1,264.2</b>       |

The property, plant and equipment note as at 31 March 2014 has been restated and a restated comparator at 31 March 2013 is also shown. These restatements are as a result of the change in accounting policies for school assets. Details of this are shown in note 3 on page 33.

Assets we have sold or transferred mainly relate to schools that have transferred to Academy status during the year.

| <b>Property, plant and equipment</b>  | <b>Land and buildings<br/>£ m</b> | <b>Surplus assets<br/>£ m</b> | <b>Vehicles, machinery,<br/>furniture and<br/>equipment<br/>£ m</b> | <b>Roads and bridges<br/>£ m</b> | <b>Country parks &amp; open<br/>spaces<br/>£ m</b> | <b>Assets under<br/>construction<br/>£ m</b> | <b>Total<br/>£ m</b> |
|---|-----------------------------------|-------------------------------|---|----------------------------------|--|--|----------------------|
| 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               |
| Gross book Value Prior Period Adjustment  | 325.0                             | 0.0                           | 0.0   | 0.0                              | 0.0  | 0.0  | 325.0                |
| <b>Restated Net book value at 1 April 2013</b>                                      | <b>902.5</b>                      | <b>7.2</b>                    | <b>22.3</b>   | <b>332.1</b>                     | <b>3.2</b>   | <b>28.8</b>                                  | <b>1,296.1</b>       |
| <b>Changes in the year</b>  |                                   |                               |   |                                  |  |  |                      |
| ~ reclassifications   | -17.1                             | -0.5                          | 0.0   | 0.0                              | 0.0  | 0.0  | -17.6                |
| ~ spending on assets  | 19.8                              | 0.1                           | 3.5   | 26.0                             | 0.4  | 16.2   | 66.0                 |
| ~ transfer of assets under construction to operational assets on project completion | 14.6                              | 0.0                           | 0.0   | 8.9                              | 0.0  | -23.6  | -0.1                 |
| ~ value of assets we have sold/transferred  | -41.0                             | 0.0                           | -2.2  | 0.0                              | 0.0  | -0.2   | -43.4                |
| ~ 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 and revaluation losses                         | 40.4                              | 0.2                           | 0.0   | 0.0                              | 0.1  | 0.0  | 40.7                 |
| <b>Depreciation</b>   |                                   |                               |   |                                  |  |  |                      |
| ~ 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  | 85.7                 |
| ~ depreciation written off on disposal  | 4.2                               | 0.0                           | 2.1   | 0.0                              | 0.0  | 0.0  | 6.3                  |
| ~ depreciation  | -26.7                             | -0.1                          | -5.7  | -14.4                            | -0.1   | 0.0  | -47.0                |
| <b>Restated Net book value at 31 March 2014</b>                                     | <b>859.4</b>                      | <b>3.7</b>                    | <b>21.1</b>   | <b>352.6</b>                     | <b>3.3</b>   | <b>21.2</b>                                  | <b>1,261.3</b>       |
| Gross book value at 31 March 2014   | 860.5                             | 3.8                           | 56.6  | 468.4                            | 3.3  | 21.2   | 1,413.8              |
| Depreciation balance at 31 March 2014   | -1.1                              | -0.1                          | -35.5   | -115.8                           | 0.0  | 0.0  | -152.5               |
| <b>Restated Net book value at 31 March 2014</b>                                     | <b>859.4</b>                      | <b>3.7</b>                    | <b>21.1</b>   | <b>352.6</b>                     | <b>3.3</b>   | <b>21.2</b>                                  | <b>1,261.3</b>       |

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.

The property, plant and equipment note as at 31 March 2014 has been restated and a restated comparator at 31 March 2013 is also shown. These restatements are as a result of the change in accounting policies for school assets. Details of this are shown in note 3 on page 33.

**Depreciation** – see accounting policies on page 29.

### Capital commitments

At 31 March 2015, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16 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 £26.7 million. Similar commitments at 31 March 2014 were £16.6 million.

The four largest outstanding commitments are as follows:

- 1 British Telecom (roll out of superfast broadband) - £17.1 million
- 2 M40 Main construction contract – for the construction of Junction 12 of the M40 – £6.2 million
- 3 Coten End Primary School - £1.2 million
- 4 Stratford footbridge - £0.7m

### Effects of changes in estimates

There have been no material changes to our accounting estimates for property, plant and equipment in 2014/15.

### Revaluations

See Accounting Policies on page 28.

## Note 9: School property plant and equipment

The value of our school property, plant and equipment is £715.3 million (2013/14 restated- £720.6 million and 2012/13 restated - £709.4 million). The table below shows a breakdown across the various types of school.

| School Property, plant and equipment<br>At 31 March 2015 | Land<br>£ m  | Buildings<br>£ m | Other Assets<br>£ m | Total<br>£ m |
|--|--------------|------------------|---------------------|--------------|
| Community Schools  | 164.3        | 215.2            | 4.4                 | 383.9        |
| Voluntary Aided Schools                                  | 73.1         | 75.3             | 0.0                 | 148.4        |
| Voluntary Controlled Schools                             | 71.8         | 68.3             | 0.0                 | 140.1        |
| Foundation Schools                                       | 24.7         | 18.3             | 0.0                 | 43.0         |
| <b>Net book value at 31 March 2015</b>                   | <b>333.9</b> | <b>377.1</b>     | <b>4.4</b>          | <b>715.3</b> |

Table may not sum due to roundings

Whilst we recognise the assets of voluntary aided, voluntary controlled and foundation schools in our accounts we do not have the right to access or dispose of these assets to settle any liabilities. We have no donated school assets.

| School Property, plant and equipment<br>At 31 March 2014 (Restated) | Land<br>£ m  | Buildings<br>£ m | Other Assets<br>£ m | Total<br>£ m |
|---|--------------|------------------|---------------------|--------------|
| Community Schools   | 175.7        | 213.8            | 5.2                 | 394.7        |
| Voluntary Aided Schools   | 73.1         | 72.3             | 0.0                 | 145.4        |
| Voluntary Controlled Schools  | 71.8         | 66.0             | 0.0                 | 137.8        |
| Foundation Schools  | 24.7         | 18.1             | 0.0                 | 42.8         |
| <b>Net book value at 31 March 2014</b>                              | <b>345.2</b> | <b>370.2</b>     | <b>5.2</b>          | <b>720.6</b> |

Table may not sum due to roundings

| School Property, plant and equipment<br>At 31 March 2013 (Restated) | Land<br>£ m  | Buildings<br>£ m | Other Assets<br>£ m | Total<br>£ m |
|---|--------------|------------------|---------------------|--------------|
| Community Schools   | 169.1        | 209.5            | 5.7                 | 384.3        |
| Voluntary Aided Schools   | 73.1         | 72.3             | 0.0                 | 145.4        |
| Voluntary Controlled Schools  | 71.8         | 65.1             | 0.0                 | 136.9        |
| Foundation Schools  | 24.7         | 18.1             | 0.0                 | 42.8         |
| <b>Net book value at 31 March 2013</b>                              | <b>338.7</b> | <b>365.0</b>     | <b>5.7</b>          | <b>709.4</b> |

Table may not sum due to roundings

## Note 10: Heritage assets

The net book value of the heritage assets we hold is £4.0 million (£4.0m in 2013/14). There have been no significant acquisitions during 2014/15 and there have not been any significant disposals of heritage assets.

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 [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk)

## Note 11: 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 2014<br>£ m | Investment properties   | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| -0.3                 | Direct net operating expense arising from investment property | 0.0                  |
| <b>-0.3</b>          | <b>Net gain/loss (-)</b>                                      | <b>0.0</b>           |

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 2014<br>£ m | Investment properties                            | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 20.5                 | Balance at the start of the year                 | 25.5                 |
| 0.0                  | Opening balance adjustment                       | 0.7                  |
| 16.8                 | Reclassifications                                | -3.9                 |
| 0.1                  | Additions  | 1.2                  |
| -12.9                | Disposals  | -0.1                 |
| 1.0                  | Net gains/losses (-) from fair value adjustments | 5.8                  |
| <b>25.5</b>          | <b>Balance at the end of the year</b>            | <b>29.2</b>          |

## Note 12: 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 have not incurred any spending on software licences and development in 2014/15 (£0.1 million in 2013/14). 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 2014/15 was charged to a number of services, some of which was 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<br>2013/14<br>£ m | Intangible assets                            | Software licences we have bought<br>2014/15<br>£ m |
|--|--|--|
| 3.9  | Gross book Value at 1 April                  | 3.7  |
| -1.7   | Amortisation balance at 1 April              | -2.0   |
| <b>2.2</b>   | <b>Net book value at 1 April</b>             | <b>1.7</b>   |
|  | <b>Changes in the year</b>                   |  |
| 0.0  | ~ Opening Balance Adjustment                 | 0.1  |
| 0.1  | ~ Spending on assets                         | 0.0  |
| 0.0  | ~ Transfer from work in progress to complete | 0.5  |
| -0.3   | ~ Value of assets we have sold               | 0.0  |
|  | <b>Amortisation</b>                          |  |
| -0.1   | ~ Opening balance adjustment                 | 0.1  |
| 0.2  | ~ Depreciation written off on disposal       | 0.0  |
| -0.4   | ~ Amortisation                               | -0.5   |
| <b>1.7</b>   | <b>Net book value at 31 March</b>            | <b>1.9</b>   |
| 3.7  | Gross book Value at 31 March                 | 4.3  |
| -2.0   | Amortisation balance at 31 March             | -2.4   |
| <b>1.7</b>   | <b>Net book value at 31 March</b>            | <b>1.9</b>   |

### Note 13: Financial instruments

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

| Financial Assets and liabilities                         | 31 March 2014 |                 |              | 31 March 2015 |                 |              |
|--|---------------|-----------------|--------------|---------------|-----------------|--------------|
|  | Current<br>£m | Long-term<br>£m | Total<br>£m  | Current<br>£m | Long-term<br>£m | Total<br>£m  |
| <b>Financial Assets</b>                                  |               |                 |              |               |                 |              |
| <b>Investments:</b>                                      |               |                 |              |               |                 |              |
| ~ Loans and receivables                                  | 81.6          | 0.0             | 81.6         | 71.0          | 0.0             | 71.0         |
| ~ Available-for-sale financial assets                    | 0.0           | 0.0             | 0.0          | 0.0           | 0.3             | 0.3          |
| ~ Financial assets at fair value through profit and loss | 0.0           | 0.0             | 0.0          | 47.5          | 0.0             | 47.5         |
| <b>Total investments</b>                                 | <b>81.6</b>   | <b>0.0</b>      | <b>81.6</b>  | <b>118.5</b>  | <b>0.3</b>      | <b>118.8</b> |
| <b>Debtors:</b>  |               |                 |              |               |                 |              |
| ~ Loans and receivables                                  | 0.0           | 0.1             | 0.1          | 0.0           | 0.0             | 0.0          |
| ~ Financial assets carried at contract amounts           | 27.5          | 0.0             | 27.5         | 30.1          | 0.0             | 30.1         |
| <b>Total Debtors</b>                                     | <b>27.5</b>   | <b>0.1</b>      | <b>27.6</b>  | <b>30.1</b>   | <b>0.0</b>      | <b>30.1</b>  |
| <b>Cash:</b>   |               |                 |              |               |                 |              |
| ~ Loans and receivables (cash and cash equivalents)      | 152.2         | 0.0             | 152.2        | 147.9         | 0.0             | 147.9        |
| <b>Total Cash: asset</b>                                 | <b>152.2</b>  | <b>0.0</b>      | <b>152.2</b> | <b>147.9</b>  | <b>0.0</b>      | <b>147.9</b> |
| <b>Total Financial assets</b>                            | <b>261.3</b>  | <b>0.1</b>      | <b>261.4</b> | <b>296.5</b>  | <b>0.3</b>      | <b>296.8</b> |

| Financial Assets and liabilities               | 31 March 2014 |                 |              | 31 March 2015 |                 |              |
|--|---------------|-----------------|--------------|---------------|-----------------|--------------|
|  | Current<br>£m | Long-term<br>£m | Total<br>£m  | Current<br>£m | Long-term<br>£m | Total<br>£m  |
| <b>Financial Liabilities</b>                   |               |                 |              |               |                 |              |
| <b>Borrowings:</b>                             |               |                 |              |               |                 |              |
| ~ Financial liabilities at amortised cost      | 2.5           | 383.5           | 386.0        | 5.1           | 378.4           | 383.5        |
| <b>Total Borrowings</b>                        | <b>2.5</b>    | <b>383.5</b>    | <b>386.0</b> | <b>5.1</b>    | <b>378.4</b>    | <b>383.5</b> |
| <b>Creditors:</b>                              |               |                 |              |               |                 |              |
| ~ Financial liabilities at contractual amounts | 58.9          | 0.0             | 58.9         | 65.4          | 0.0             | 65.4         |
| <b>Other short term liabilities:</b>           |               |                 |              |               |                 |              |
| ~ Other financial liabilities - finance leases | 0.1           | 0.0             | 0.1          | 0.0           | 0.0             | 0.0          |
| <b>Total</b>                                   | <b>59.0</b>   | <b>0.0</b>      | <b>59.0</b>  | <b>65.4</b>   | <b>0.0</b>      | <b>65.4</b>  |
| <b>Total Financial Liabilities</b>             | <b>61.5</b>   | <b>383.5</b>    | <b>445.0</b> | <b>70.5</b>   | <b>378.4</b>    | <b>448.9</b> |

| Reconciliation to Balance Sheet carrying amounts | 2013/14<br>£m | 2014/15<br>£m |
|--|---------------|---------------|
| Debtors that are financial instruments           | 27.5          | 30.1          |
| Debtors that are not financial instruments       | 18.1          | 19.3          |
| <b>Total Debtors</b>                             | <b>45.6</b>   | <b>49.4</b>   |
| Creditors that are financial instruments         | 58.9          | 65.4          |
| Creditors that are not financial instruments     | 16.5          | 18.8          |
| <b>Total Creditors</b>                           | <b>75.4</b>   | <b>84.2</b>   |

| Comparison with Fair Values              | 2013/14<br>£m | 2014/15<br>£m |
|--|---------------|---------------|
| Financial Assets at carrying amount      | 261.4         | 296.8         |
| Financial Assets at fair value           | 261.4         | 296.8         |
| <b>Effects of fair value</b>             | <b>0.0</b>    | <b>0.0</b>    |
| Financial Liabilities at carrying amount | 445.0         | 448.9         |
| Financial Liabilities at fair value      | 488.2         | 582.7         |
| <b>Effects of fair value</b>             | <b>43.2</b>   | <b>133.8</b>  |

|  | Interest expense in<br>(Surplus)/Deficit on the<br>Provision of Services |               | Investment income in<br>(Surplus)/Deficit on the<br>Provision of Services |               | Gain or (loss) on<br>revaluation of financial<br>assets in Other<br>Comprehensive Income<br>and Expenditure |               |
|--|--|---------------|---|---------------|---|---------------|
|  | 2013/14<br>£m  | 2014/15<br>£m | 2013/14<br>£m   | 2014/15<br>£m | 2013/14<br>£m   | 2014/15<br>£m |
| <b>Interest paid and investment income received</b>        |  |               |   |               |   |               |
| ~ Financial liabilities at amortised cost                  | -19.1  | -18.9         | 0.0   | 0.0           | 0.0   | 0.0           |
| ~ Financial assets (loans and receivables)                 | 0.0  | 0.0           | 1.1   | 2.7           | 0.0   | 0.0           |
| ~ Financial assets (at fair value through profit and loss) | 0.0  | 0.0           | 0.0   | 0.0           | 0.0   | 2.5           |
| ~ Financial assets (available for sale)                    | 0.0  | 0.0           | 0.0   | 0.0           | -0.1  | 0.1           |

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

The difference between the long term borrowing nominal amounts carried in the Balance Sheet and their fair value is based on a calculation that uses new loan rates to estimate what it would cost to borrow a similar portfolio of loans at the Balance Sheet date.

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 14: Debtors

| 31 March 2014<br>£ m | Short-term debtors                            | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| 6.3                  | Central Government bodies                     | 5.9                  |
| -0.2                 | ~ less bad debts                              | -0.2                 |
| 3.5                  | VAT (due to us)                               | 4.7                  |
| 3.4                  | Other local authorities                       | 4.4                  |
| 1.6                  | Health Service bodies                         | 2.2                  |
| 0.1                  | Public Corporations                           | 0.0                  |
| 1.3                  | Collection Fund debtors (billing authorities) | 0.7                  |
| 8.2                  | Council tax debtors                           | 8.4                  |
| -2.0                 | ~ less bad debts                              | -2.1                 |
| 0.5                  | NNDR debtors                                  | 0.5                  |
| -0.2                 | ~ less bad debts                              | -0.2                 |
| 24.2                 | Other entities and individuals                | 26.0                 |
| -1.1                 | - less bad debts                              | -0.9                 |
| <b>45.6</b>          | <b>Balance at the end of the year</b>         | <b>49.4</b>          |

**Note 15: Cash and cash equivalents**

| 31 March 2014<br>£ m | Cash and cash equivalents  | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 15.8                 | Cash held by the authority (including schools and imprest accounts)                            | 20.9                 |
| 44.6                 | Bank current accounts (call accounts and instant access deposit accounts)                      | 105.2                |
| 91.8                 | Short-term deposits with building societies and other institutions less than 3 months maturity | 21.8                 |
| <b>152.2</b>         | <b>Total cash and cash equivalents</b>   | <b>147.9</b>         |

**Note 16: Assets held for sale**

| 31 March 2014<br>£ m | Current assets held for sale              | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| 0.7                  | Balance outstanding at start of year      | 0.9                  |
| 0.8                  | Assets newly classified as held for sale: | 0.0                  |
| 0.1                  | Spending on assets                        | 0.0                  |
| -0.1                 | Revaluation losses                        | 0.0                  |
| -0.6                 | Assets sold                               | -0.9                 |
| <b>0.9</b>           | <b>Balance outstanding at year end</b>    | <b>0.0</b>           |

**Note 17: Creditors**

| 31 March 2014<br>£ m | Creditors  | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 8.6                  | Central Government bodies  | 9.3                  |
| 4.6                  | Other local authorities  | 3.8                  |
| 1.9                  | Health Service bodies  | 2.5                  |
| 0.1                  | Public corporations and trading funds                                | 0.0                  |
| 2.4                  | Council tax overpayments and prepayments                             | 2.6                  |
| 0.3                  | Business rates overpayments and prepayments                          | 0.3                  |
| 6.6                  | Accumulated absences accruals (IFRS)                                 | 6.5                  |
| 0.9                  | Collection Fund amounts owed to billing authorities - council tax    | 1.0                  |
| 0.1                  | Collection Fund amounts owed to billing authorities - business rates | 0.0                  |
| 49.9                 | Other entities and individuals                                       | 58.2                 |
| <b>75.4</b>          | <b>Balance at the end of the year</b>                                | <b>84.2</b>          |

**Note 18: Provisions**

Our provisions total £7.2 million (£5.2 million 2013/14).

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 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 £2.0 million.

We have reassessed the balance of liabilities between the county council and the Firefighters Pension Fund. The details are shown in pages 78 to 79. Some of the final costs are still uncertain and so a provision of £1.6 million has been included.

All other provisions, totalling £1.2 million, are individually insignificant.

### Note 19: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement on page 19 and in notes 1 and 2 on pages 31 to 33. A summary of revenue and capital usable reserves is shown below:

| 31 March 2014<br>£ m | Usable reserves              | 31 March 2015<br>£ m |
|----------------------|------------------------------|----------------------|
| 18.4                 | General Fund                 | 18.8                 |
| 98.5                 | Earmarked Reserves           | 109.6                |
| 0.9                  | Capital Fund                 | 1.0                  |
| 0.0                  | Capital Receipts Reserve     | 0.0                  |
| 7.3                  | Capital Grants Unapplied     | 6.9                  |
| <b>125.1</b>         | <b>Total usable reserves</b> | <b>136.3</b>         |

### Note 20: Unusable Reserves

| 31 March 2013<br>Restated<br>£ m | 31 March 2014<br>Restated<br>£ m | Unusable reserves                                | 31 March 2015<br>£ m |
|----------------------------------|----------------------------------|--|----------------------|
| 137.7                            | 173.0                            | Revaluation Reserve                              | 154.0                |
| 847.4                            | 799.0                            | Capital Adjustment Account                       | 840.0                |
| 0.4                              | 0.3                              | Financial Instruments Adjustment Account         | 0.2                  |
| 0.1                              | 0.0                              | Available for Sale Financial Instruments Reserve | 2.6                  |
| -4.7                             | -6.6                             | Accumulated Absences Reserve                     | -6.5                 |
| -0.1                             | 2.5                              | Collection Fund Adjustment Account               | 1.4                  |
| -657.7                           | -665.4                           | Pensions Reserve                                 | -827.4               |
| <b>323.1</b>                     | <b>302.8</b>                     | <b>Total unusable reserves</b>                   | <b>164.3</b>         |

### 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.

| 2013/14<br>£ m | Movement in the capital reserves and accounts -<br>Revaluation Reserve | 2014/15<br>£ m |
|----------------|--|----------------|
| 137.7          | Balance on 1 April   | 173.0          |
| 0.0            | Opening balance adjustments  | -0.3           |
| 43.0           | Revaluation increases  | 0.0            |
| -13.2          | Revaluation decreases  | 0.0            |
| 37.3           | Impairment offsets against Revaluation Reserve                         | -1.6           |
| -12.8          | Depreciation adjustment to Revaluation reserve                         | -6.5           |
| -19.0          | Value of asset disposals   | -10.6          |
| <b>173.0</b>   | <b>Balance on 31 March</b>   | <b>154.0</b>   |

### 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.

| 2013/14<br>(Restated)<br>£ m | Movement in the capital reserves and accounts -<br>Capital Adjustment Account | 2014/15<br>£ m |
|------------------------------|---|----------------|
| 847.4                        | Balance on 1 April  | 799.0          |
| 0.0                          | Opening balance adjustments   | 1.4            |
| -65.1                        | Revaluation decrease  | 3.7            |
| 12.8                         | Depreciation adjustment to Revaluation Reserve                                | 6.5            |
| -15.4                        | Value of asset disposals  | -5.9           |
| -9.3                         | Transfer of spending on assets we do not own                                  | -10.0          |
| -17.4                        | Transfers to and from the revenue account                                     | -15.5          |
| 46.0                         | Money used to buy assets  | 60.8           |
| <b>799.0</b>                 | <b>Balance on 31 March</b>  | <b>840.0</b>   |

The Capital Adjustment Account as at 31 March 2014 has been restated and a restated comparator at 31 March 2013 is also shown. These restatements are as a result of the change in accounting policy for school assets. Details of this change are shown in note 3 on page 33.

### 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 2014/15.

| 31 March 2014<br>£ m | Financial Instruments Adjustment Account  | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| 0.4                  | Balance on 1 April  | 0.3                  |
| -0.1                 | Proportion of discounts received in previous years to be credited to the General Fund | -0.1                 |
| 0.3                  | Balance in accordance with statutory requirements                                     | 0.2                  |
|                      | <b>Balance on 31 March</b>  |                      |

### 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 2014<br>£ m | Available for Sale Financial Instruments Reserve  | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| 0.1                  | Balance on 1 April  | 0.0                  |
| 0.0                  | Unrealised gains/losses on financial assets not charged to the surplus/deficit on the provision of services | 2.5                  |
| -0.1                 | Movement in valuation of investments not charged to Surplus/Deficit on the provision of services            | 0.1                  |
| 0.0                  | <b>Balance on 31 March</b>  | <b>2.6</b>           |

### 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 2014<br>£ m | Movement in Accumulated Absences Account  | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| -4.7                 | Balance at 1 April  | -6.6                 |
| 4.7                  | Settlement or cancellation of accrual made at the end of the preceding year   | 6.6                  |
| -6.6                 | Amounts accrued at the end of the current year  | -6.5                 |
| -1.9                 | 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 | 0.1                  |
| -6.6                 | <b>Balance at 31 March</b>  | <b>-6.5</b>          |

### 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 2014<br>£ m | Movement in Collection Fund Adjustment Account  | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| -0.1                 | Balance at start of year  | 2.5                  |
| 3.7                  | 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              | -0.4                 |
| -1.1                 | 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 | -0.7                 |
| <b>2.5</b>           | <b>Balance at end of year</b>   | <b>1.4</b>           |

### 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.

| On 31 March 2014<br>£ m | Pensions Reserve - All Schemes   | On 31 March 2015<br>£ m |
|-------------------------|--|-------------------------|
| -657.7                  | Balance as 1 April   | -665.4                  |
| 28.1                    | Remeasurements of net defined (liability)/asset  | -144.8                  |
| -74.8                   | Reversal of net charges made for retirement benefits in accordance with IAS 19         | -60.1                   |
| 35.3                    | Employer's pension contributions and direct payments to pensioners payable in the year | 38.2                    |
| 3.7                     | Grant funding of fire-fighters pensions liabilities                                    | 4.7                     |
| <b>-665.4</b>           | <b>Balance at 31 March</b>   | <b>-827.4</b>           |

**Note 21: Cash Flow Statement – operating activities**

| 31 March 2014<br>£ m | Cash flows from operating activities                  | 31 March 2015<br>£ m |
|----------------------|---|----------------------|
| 209.3                | Cash Inflows from operating activities:-              | 221.8                |
| 56.5                 | ~ Council tax receipts                                | 58.1                 |
| 84.2                 | ~ Business rates receipts                             | 73.4                 |
| 332.9                | ~ Revenue Support Grant                               | 328.0                |
| 105.5                | ~ other Government grants (Note 24)                   | 88.3                 |
| 1.1                  | ~ cash received for goods and services                | 2.7                  |
|                      | ~ interest received                                   |                      |
| -345.7               | Cash Outflows from operating activities:-             | -347.1               |
| -400.8               | ~ cash paid to and on behalf of employees             | -374.0               |
| -28.8                | ~ other operating cash payments                       | -18.9                |
|                      | ~ interest paid                                       |                      |
| 14.2                 | <b>Total net cash flows from operating activities</b> | <b>32.3</b>          |

**Note 22: Cash Flow Statement – investing activities**

| 31 March 2014<br>Restated<br>£ m | Cash flows from investing activities   | 31 March 2015<br>£ m |
|----------------------------------|--|----------------------|
| -69.0                            | Purchase of property, plant and equipment, investment property and intangible assets               | -61.3                |
| 29.4                             | Proceeds or purchase (-) of short-term and long-term investments                                   | -34.5                |
| 0.2                              | Other receipts or payments (-) for investing activities  | 0.2                  |
| 15.6                             | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 9.2                  |
| 44.2                             | Other receipts from investing activities - capital grants  | 52.5                 |
| 20.4                             | <b>Net cash flows from investing activities</b>  | <b>-33.9</b>         |

**Note 23: Cash Flow Statement – financing activities**

| 31 March 2014<br>£ m | Cash flows from financing activities   | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 0.0                  | Cash receipts of short-term and long-term borrowing                                      | 0.0                  |
| -5.5                 | Repayments of short and long term borrowing  | -2.6                 |
| -0.1                 | Cash payments for the reduction of outstanding liabilities in relation to finance leases | -0.1                 |
| -5.6                 | <b>Net cash flows from financing activities</b>  | <b>-2.7</b>          |

**Note 24: Grant Income**

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

| <b>Actual income<br/>2013/14<br/>£ m</b> | <b>Grant income</b>   | <b>Awarding<br/>department</b> | <b>Actual income<br/>2014/15<br/>£ m</b> |
|--|---|--------------------------------|--|
|  | <b>Revenue grants credited to Services (cash received in the year):</b> |                                |  |
| 254.7                                    | Dedicated Schools Grant   | DfE                            | 243.2                                    |
| 9.0                                      | Pupil Premium Grant   | DfE                            | 12.5                                     |
| 0.8                                      | Music Grant/Music Education Hub   | DfE                            | 0.6                                      |
| 0.3                                      | Adoption Reform Grant   | DfE                            | 0.0                                      |
| 9.3                                      | Sixth Form Funding  | EFA                            | 7.8                                      |
| 1.7                                      | Other Schools Grants  | Various                        | 2.1                                      |
| 1.4                                      | Asylum seekers  | HO                             | 1.2                                      |
| 21.2                                     | Public Health Grant   | DH                             | 21.8                                     |
|  | Delayed Transfer of Care  | DH                             | 0.5                                      |
| 0.3                                      | Central Warwickshire Leader   | CLG                            | 0.1                                      |
| 0.0                                      | Universal Infant Free School Meals                                      | EFA                            | 3.5                                      |
| 1.7                                      | Adult & Community Learning  | BIS                            | 1.7                                      |
| 0.7                                      | Stratford Parkway Grant   | DfT                            | 0.5                                      |
| 0.2                                      | Bus Service Operators Grant   | DfT                            | 0.7                                      |
| 0.4                                      | Other revenue grants  | Various                        | 0.7                                      |
| <b>301.7</b>                             | <b>Total revenue grants</b>   |                                | <b>296.9</b>                             |
|  | <b>Capital grants and contributions credited to services:</b>           |                                |  |
| 4.0                                      | Academy Grant   | DfE                            | 0.0                                      |
| 0.1                                      | Targeted Basic Need   | DfE                            | 0.0                                      |
| 0.0                                      | BDUK  | DCMS                           | 4.5                                      |
| 0.6                                      | Devolved Formula Capital  | DfE                            | 0.0                                      |
| 0.1                                      | Contribution from diocesan schools                                      | Various                        | 0.0                                      |
| 0.1                                      | Contribution from other local authorities                               | Various                        | 0.6                                      |
| 0.1                                      | Private developer funding   | Various                        | 0.1                                      |
| 0.2                                      | Other grants/contributions  | Various                        | 0.1                                      |
| <b>5.2</b>                               | <b>Total capital grants and contributions</b>                           |                                | <b>5.3</b>                               |
| <b>306.9</b>                             | <b>Total</b>  |                                | <b>302.3</b>                             |

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.

| Actual income<br>2013/14<br>£ m | Grant income  | Awarding<br>department | Actual income<br>2014/15<br>£ m |
|---------------------------------|---|------------------------|---------------------------------|
|                                 | <b>Credited to Taxation and Non Specific Grant Income- cash received in the year:</b> |                        |                                 |
| 0.0                             | Business Rates Compensation Scheme  | CLG                    | 1.4                             |
| 0.9                             | Adoption Reform Grant   | DfE                    | 0.4                             |
| 7.1                             | Education Services Grant  | EFA                    | 7.1                             |
| 8.0                             | NHS Section 256 Grant   | DH                     | 10.4                            |
| 0.0                             | Special Educational Needs and Disability Grant  | DfE                    | 1.1                             |
| 0.6                             | Local Services Support Grant  | CLG                    | 0.4                             |
| 2.3                             | Council Tax Freeze Grant  | CLG                    | 0.0                             |
| 1.6                             | New Homes Bonus   | CLG                    | 1.8                             |
| 0.4                             | Council Tax Reform Grant  | CLG                    | 0.0                             |
| 1.2                             | Tackling Troubled Families  | CLG                    | 1.2                             |
| 1.2                             | Severe Weather Recovery   | DfT                    | 0.1                             |
| 1.1                             | Local Welfare Fund  | DWP                    | 1.1                             |
| 1.6                             | Other Grants  | Various                | 0.7                             |
| <b>26.0</b>                     | <b>Total revenue grants</b>   |                        | <b>25.7</b>                     |
|                                 | <b>Capital grants and contributions:</b>  |                        |                                 |
| 2.3                             | Devolved Formula Capital  | DfE                    | 1.1                             |
| 0.2                             | Learning and Achievement Growth Fund  | DfE                    | 0.2                             |
| 3.5                             | Schools Basic Need  | DfE                    | 3.1                             |
| 5.8                             | Schools Maintenance   | DfE                    | 7.4                             |
| 0.0                             | Contribution from Diocesan Schools  | Various                | 0.4                             |
| 4.1                             | Targeted Basic Need Funding & Universal Free School Meals                             | DfE                    | 10.7                            |
| 0.2                             | Academy Grant   | EFA                    | 0.2                             |
| 1.2                             | Community Capacity Grant  | DH                     | 0.0                             |
| 0.0                             | Adult Social Care Personal Social Services Capital Grant 2014/15                      | DH                     | 1.2                             |
| 0.0                             | Land Swap   |                        | 1.0                             |
| 0.1                             | Public Health Grant   | DH                     | 0.0                             |
| 0.8                             | Fire Capital Grant  | CLG                    | 0.8                             |
| 0.0                             | Environment Agency  | CLG                    | 0.1                             |
| 15.3                            | Local Transport Plan & other transport grants   | mainly DfT             | 20.0                            |
| 0.7                             | Flood Grant   | DfT                    | 0.0                             |
| 2.1                             | Contribution from other local authorities   | Various                | 0.0                             |
| 6.5                             | Private developer funding   | Various                | 8.4                             |
| 1.9                             | Other grants/contributions  | Various                | 0.5                             |
| <b>44.7</b>                     | <b>Total capital grants</b>   |                        | <b>55.0</b>                     |
| <b>70.7</b>                     | <b>Total</b>  |                        | <b>80.6</b>                     |

The balances at year end are as follows:

| 31 March 2014 | Grant receipts in advance                      | Awarding department | 31 March 2015 |
|---------------|--|---------------------|---------------|
| £ m           |  |                     | £ m           |
|               | <b>Revenue grant receipts in advance</b>       |                     |               |
| 0.0           | Common Assessment Framework Demonstrator Grant | DH                  | 0.1           |
| 0.0           | Delayed Transfer of Care                       | DH                  | 0.2           |
| 0.2           | Adult and Community Learning                   | BIS                 | 0.0           |
| 0.0           | Other grants                                   | Various             | 0.1           |
| <b>0.2</b>    | <b>Total revenue grants</b>                    |                     | <b>0.4</b>    |
|               | <b>Capital grant receipts in advance</b>       |                     |               |
| 2.4           | Devolved Formula Capital                       | DfE                 | 2.4           |
| 0.0           | Grant from Other Local Authorities             | DfE                 | 0.0           |
| 0.2           | Public Health Grant                            | DH                  | 0.0           |
| 0.6           | Pinch Point Grant                              | DfT                 | 1.9           |
| 9.9           | Private developer funding                      | Various             | 8.0           |
| 0.2           | Other grants/contributions                     | Various             | 0.4           |
| <b>13.3</b>   | <b>Total capital grants</b>                    |                     | <b>12.7</b>   |
| <b>13.5</b>   | <b>Total</b>                                   |                     | <b>13.1</b>   |

#### 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 25: 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 been deferred to 2015/16 by CIPFA/LASAAC.
- IFRIC 21 Levies.
- Annual improvements to IFRSs (2011 – 2013 cycle) includes IFRS 1 – Meaning of effective IFRSs; IFRS 3 – scope of exceptions for joint ventures; IFRS 13 – scope of paragraph 52 (portfolio exception) and IAS 40 – clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner-occupied property.

We are not required to adopt these standards under the Code of Practice on Local Authority Accounting 2014/15 and it is not expected that the implementation of these standards will have a material effect on our financial statements when implemented.

In addition the CIPFA Code of Practice on Transport Infrastructure Assets requires a change of measurement for transport infrastructure assets from historic cost to discounted replacement cost. These measurement changes will apply from the 2016/17 financial year and will represent a change in accounting policy from 1 April 2016.

#### **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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| <b>Item</b>                   | <b>Uncertainties</b>   | <b>Effect if actual results differ from assumptions</b>  |
|-------------------------------|--|--|
| 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.                        | <p>If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £3.3 million for every year that useful lives are reduced.</p>   |
| 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. | <p>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 £142.6 million.</p> <p>During 2014/15, our actuaries advised that the net pensions' liability has increased by £103.6 million as a result of estimates being corrected, experience losses and updating of the assumptions.</p> |

#### **Note 27: Authorisation for issue**

These accounts have taken into account all known events up to 24 September 2015. 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.

| 2013/14<br>Restated<br>£ m | Capital financing requirement (IFRS)          | 2014/15<br>£ m |
|----------------------------|---|----------------|
| 338.0                      | Opening requirement                           | 321.3          |
|                            | Capital investment                            |                |
| 66.0                       | - Property, plant & equipment                 | 64.7           |
| 0.1                        | - Intangible assets                           | 0.0            |
| 0.1                        | - Investment property                         | 1.2            |
| 0.1                        | - Held for sale                               | 0.0            |
| 0.0                        | - Long term Investments (Financial Assets)    | 0.2            |
| 9.3                        | - Revenue spending from capital under statute | 10.0           |
| <b>75.6</b>                | <b>Total capital investment</b>               | <b>76.1</b>    |
|                            | Sources of finance                            |                |
| -16.2                      | - Capital receipts                            | -9.1           |
| -46.0                      | - Government grants and other contributions   | -59.8          |
|                            | - Sums set aside from revenue:                |                |
| -13.4                      | - Direct revenue contributions                | -7.2           |
| -16.7                      | - MRP/loans fund principal                    | -15.9          |
| <b>-92.3</b>               | <b>Total sources of income</b>                | <b>-92.0</b>   |
| <b>321.3</b>               | <b>Closing capital financing requirement</b>  | <b>305.4</b>   |

| 2013/14<br>£ m | Explanation of movements in the year                         | 2014/15<br>£ m |
|----------------|--|----------------|
| -16.6          | Increase in underlying need to borrow                        | -15.8          |
| -0.1           | Assets acquired under finance leases                         | -0.1           |
| <b>-16.7</b>   | <b>Increase/decrease(-) in Capital Financing Requirement</b> | <b>-15.9</b>   |

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.

- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts.
- 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.
- Details of our relationships with other companies and investments in companies are detailed in note 43 on page 74. These were not material for us and we have not prepared group accounts on this basis.

### Note 30: Dedicated Schools' Grant

In line with the requirements of the Accounts and Audit (England) Regulations 2011, we can confirm that the Dedicated Schools' Grant received in 2014/15 was £242.9 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 the individual school budget which is divided into a budget share for each school. The overspending and underspending on the two parts are accounted for separately.

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The DSG figure is as confirmed by the Department for Education in May 2015 and includes the early years adjustment as 'In Year Adjustments'.

| 2013/14 Total<br>£ m |  | 2014/15                    |  |              |
|----------------------|--|----------------------------|--|--------------|
|                      |  | Central<br>Spending<br>£ m | Individual<br>schools<br>budget (ISB)<br>£ m | Total<br>£ m |
| 352.8                | Final DSG for the year before Academy recoupment | 61.9                       | 294.6  | 356.5        |
| -97.6                | Less Academy recouped for the year               | 0.0                        | -114.1                                       | -114.1       |
| 255.2                | Total DSG after Academy recoupment for the year  | 61.9                       | 180.5  | 242.4        |
| 0.2                  | Plus DSG brought forward from the previous year  | 1.2                        | 0.0  | 1.2          |
| 255.4                | Agreed initial budgeted distribution in the year | 63.1                       | 180.5  | 243.6        |
| 0.0                  | In year Adjustments                              | 0.5                        | 0.0  | 0.5          |
| 255.4                | Final budgeted DSG distribution for the year     | 63.6                       | 180.5  | 244.1        |
| -58.2                | Actual central spending for the year             | -64.9                      | 0.0  | -64.9        |
| -196.3               | Actual ISB deployed to schools                   | 0.0                        | -180.5                                       | -180.5       |
| 0.3                  | Our contribution in the year                     | 1.3                        | 0.0  | 1.3          |
| 1.2                  | Under spend for the year (carried forward)       | 0.0                        | 0.0  | 0.0          |

### 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 2014/15 and a further number of Warwickshire schools are anticipated to also convert to academy status in 2015/16 and beyond.

During 2014/15 five community schools, four foundation schools and nine voluntary controlled or aided schools became academies. A total of six community schools, one foundation schools and five voluntary controlled or voluntary aided schools have applied to the Department for Education to convert to academy status after 1 April 2015. This is based on information as at 19 June 2015.

The significance of the conversion of these schools 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.

The value of the derecognition of the current schools looking to convert to academy status after 31 March 2015 will be in the region of £79.2 million.

### **Note 32: External audit costs**

We have incurred costs of £0.1 million (£0.1 million in 2013/14) 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 2014<br>£ m | Operating lease period                       | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 1.7                  | Not later than 1 year                        | 1.5                  |
| 4.5                  | Later than 1 year and not later than 5 years | 4.4                  |
| 10.3                 | Later than 5 years                           | 10.0                 |
| <b>16.5</b>          | <b>Total</b>                                 | <b>15.9</b>          |

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 2014/15 £0.2 million (£0.8 million in 2013/14) contingent rents were receivable by the authority.

### **Note 34: Contingent assets**

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 £0.1 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.

### **Note 36: Members' allowances**

Elected members were paid a total of £0.796 million (£0.799 million in 2013/14) in allowances and expenses. In addition we paid independent and co-opted members allowances and expenses of £0.012 million (£0.013 million in 2013/14). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2014/15 are available on our website [www.warwickshire.gov.uk](http://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 and is available via [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk). 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, Viability A, support 1 (3 for UK banks).

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 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 2014<br>£ m | Loans we have not yet repaid                               | On 31 March 2015<br>£ m |
|-------------------------|--|-------------------------|
| 386.0                   | <b>We owe money to:</b><br>~ Public Works Loans Board      | 383.5                   |
| <b>386.0</b>            | <b>Total</b>   | <b>383.5</b>            |
| 2.5                     | <b>When we will pay the money back</b><br>Less than 1 year | 5.1                     |
| 5.1                     | Between 1 and 2 years                                      | 25.0                    |
| 26.1                    | Between 2 and 5 years                                      | 11.1                    |
| 30.0                    | Between 5 and 10 years                                     | 20.0                    |
| 322.3                   | More than 10 years   | 322.3                   |
| <b>386.0</b>            | <b>Total</b>   | <b>383.5</b>            |

Our level of borrowing is mainly due to paying for capital spending in previous years. We have not borrowed any money in 2014/15 to pay for 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

#### Interest Rate 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.

As part of our strategy for managing interest rate risk we aim to keep a maximum of 25% of our borrowing in variable rate loans.

We have 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 2015, 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 £0.02 million (£0.2 million in 2013/14)
- A decrease in fair value of fixed borrowing of £78.4 million (£65.9 million in 2013/14).

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.

#### Price risk

We have some shareholdings in related companies most 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 £0.061 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 2014/15 this amounted to a gain of £0.015 million. We also have a number of investment holdings where any movements in their values are not realised until they are disposed of. At 31 March each year we account for the current increase or decrease in its value by recognising this change as an unrealised gain or loss. At 31 March 2015 we recognised an unrealised gain of £2.6 million in the Comprehensive Income and Expenditure Account.

#### **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.

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.

#### **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 remuneration for senior staff who are shown separately.

| 2013/14               |       | Remuneration        | 2014/15  |       |                          |       |               |       |
|-----------------------|-------|---------------------|----------|-------|--------------------------|-------|---------------|-------|
| Staff (revised total) |       |                     | Staff    |       | Staff Left in the Year * |       | Revised Total |       |
| Teaching              | Other |                     | Teaching | Other | Teaching                 | Other | Teaching      | Other |
| 84                    | 36    | £50,000 - £54,999   | 84       | 36    | 1                        | 1     | 83            | 35    |
| 62                    | 43    | £55,000 - £59,999   | 59       | 36    | 1                        | 4     | 58            | 32    |
| 24                    | 8     | £60,000 - £64,999   | 30       | 13    | 1                        | 2     | 29            | 11    |
| 12                    | 7     | £65,000 - £69,999   | 20       | 10    | 0                        | 3     | 20            | 7     |
| 10                    | 18    | £70,000 - £74,999   | 8        | 17    | 0                        | 1     | 8             | 16    |
| 4                     | 0     | £75,000 - £79,999   | 5        | 5     | 0                        | 0     | 5             | 5     |
| 6                     | 3     | £80,000 - £84,999   | 3        | 2     | 0                        | 0     | 3             | 2     |
| 1                     | 10    | £85,000 - £89,999   | 1        | 9     | 0                        | 0     | 1             | 9     |
| 0                     | 1     | £90,000 - £94,999   | 1        | 4     | 1                        | 1     | 0             | 3     |
| 2                     | 0     | £95,000 - £99,999   | 1        | 0     | 0                        | 0     | 1             | 0     |
| 1                     | 1     | £100,000 - £104,999 | 0        | 0     | 0                        | 0     | 0             | 0     |
| 0                     | 1     | £105,000 - £109,999 | 0        | 0     | 0                        | 0     | 0             | 0     |
| 0                     | 0     | £110,000 - £114,999 | 0        | 0     | 0                        | 0     | 0             | 0     |
| 0                     | 0     | £115,000 - £119,999 | 0        | 1     | 0                        | 0     | 0             | 1     |
| 0                     | 0     | £120,000 - £124,999 | 1        | 1     | 0                        | 0     | 1             | 1     |
| 206                   | 128   |                     | 213      | 134   | 4                        | 12    | 209           | 122   |

The 2014/15 figures above exclude 9 agency/interim staff (11 in 2013/2014).

A number of employees left during 2014/15, incurring costs of £3.0 million (£2.7 million in 2013/14 (restated)). Of this £0.2 million relates to senior staff. This cost includes officers who have left as part of on-going savings and efficiency plans. See table below for details.

| Exit Package Cost Band<br>(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 |              |
|--|------------------------|------------|-----------------------------------|-----------|---------------------------------------|------------|--|--------------|
|  | 2013/14 Restated       | 2014/15    | 2013/14 Restated                  | 2014/15   | 2013/14 Restated                      | 2014/15    | 2013/14 Restated                               | 2014/15      |
| £0 - £20,000   | 118                    | 123        | 13                                | 44        | 131                                   | 167        | 0.678  | 1.071        |
| £20,001 - £40,000                                      | 29                     | 25         | 7                                 | 5         | 36                                    | 30         | 0.937  | 0.856        |
| £40,001 - £60,000                                      | 4                      | 4          | 0                                 | 2         | 4                                     | 6          | 0.180  | 0.279        |
| £60,001 - £80,000                                      | 4                      | 3          | 0                                 | 0         | 4                                     | 3          | 0.274  | 0.212        |
| £80,001 - £100,000                                     | 3                      | 2          | 0                                 | 0         | 3                                     | 2          | 0.277  | 0.173        |
| £100,001 - £150,000                                    | 3                      | 2          | 0                                 | 0         | 3                                     | 2          | 0.369  | 0.268        |
| £150,001 - £200,000                                    | 0                      | 0          | 0                                 | 1         | 0                                     | 1          | 0.000  | 0.187        |
|  | <b>161</b>             | <b>159</b> | <b>20</b>                         | <b>52</b> | <b>181</b>                            | <b>211</b> | <b>2.715</b>                                   | <b>3.046</b> |

We are required to disclose the remuneration of senior employees, as defined by regulation, 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)<br>£ | Taxable Expense Allowances<br>£ | Compensation for loss of office<br>£ | Total excluding pension contributions<br>£ | Employer's Pension Contributions<br>£ | Total including pension contributions<br>£ |
|--|---------|---|---------------------------------|--------------------------------------|--|---------------------------------------|--|
| Chief Executive - Jim Graham                     | 2013/14 | 172,866                                       | 74                              | 0                                    | 172,940                                    | 27,659                                | 200,599                                    |
|  | 2014/15 | 172,866                                       | 0                               | 0                                    | 172,866                                    | 28,955                                | 201,821                                    |
| Strategic Director, People Group                 | 2013/14 | 126,505                                       | 227                             | 0                                    | 126,732                                    | 20,273                                | 147,005                                    |
| 1 April to 30 November 2014 (note 1)             | 2014/15 | 126,179                                       | 0                               | 7,000                                | 133,179                                    | 195,850                               | 329,029                                    |
| 1 January to 31 March 2015 (note 1)              | 2014/15 | 0   | 0                               | 0                                    | 0  | 0                                     | 0  |
| Chief Fire Officer (9 May to 31 March) (note 2)  | 2013/14 | 110,452                                       | 5,493                           | 0                                    | 115,945                                    | 29,270                                | 145,215                                    |
|  | 2014/15 | 121,054                                       | 0                               | 0                                    | 121,054                                    | 25,785                                | 146,838                                    |
| Strategic Director, Communities                  | 2013/14 | 127,027                                       | 19                              | 0                                    | 127,046                                    | 20,324                                | 147,370                                    |
|  | 2014/15 | 127,027                                       | 0                               | 0                                    | 127,027                                    | 21,277                                | 148,304                                    |
| Strategic Director, Resources                    | 2013/14 | 127,027                                       | 2                               | 0                                    | 127,029                                    | 10,162                                | 137,191                                    |
|  | 2014/15 | 127,027                                       | 0                               | 0                                    | 127,027                                    | 0                                     | 127,027                                    |
| Head of Public Health - Dr John Linnane (Note 3) | 2013/14 | 153,933                                       | 0                               | 0                                    | 153,933                                    | 21,726                                | 175,659                                    |
|  | 2014/15 | 155,010                                       | 0                               | 0                                    | 155,010                                    | 21,693                                | 176,703                                    |
| Head of Finance                                  | 2013/14 | 101,009                                       | 21                              | 0                                    | 101,030                                    | 16,161                                | 117,191                                    |
|  | 2014/15 | 101,009                                       | 0                               | 0                                    | 101,009                                    | 16,919                                | 117,928                                    |
| <b>Total 2013/2014</b>                           |         | <b>918,819</b>                                | <b>5,836</b>                    | <b>0</b>                             | <b>924,655</b>                             | <b>145,575</b>                        | <b>1,070,230</b>                           |
| <b>Total 2014/2015</b>                           |         | <b>930,172</b>                                | <b>0</b>                        | <b>7,000</b>                         | <b>937,172</b>                             | <b>310,479</b>                        | <b>1,247,651</b>                           |

There were no bonuses paid in either year.

Note 1: The Strategic Director, People Group left the authority on 30 November 2014. The annualised salary for the year was £127,027.

The new Strategic Director, People Group started on 1 January 2015. Payments via an Agency for the period 1 January 2015 to 31 March 2015 were £63,993.

Note 2: The Chief Fire Officer was seconded from the London Fire Brigade from 9 May 2013 to 31 March 2014. The annualised salary for the year was £123,388. From 1 April 2014 they were employed by the authority.

Note 3: 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 shown in the table.

### Note 39: Pension scheme

#### IAS 19 Accounting for pension costs: local authorities

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 46.

As part of the terms and conditions of employment, 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.

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 69 shows details of the assumptions our actuaries have made when estimating the liabilities and other figures included in this note. The movement in reserves (see table on page 71) sets out the actuarial gains and losses made in 2014/15.

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

| <b>Scheme net liability</b> | <b>31 March 2014</b> | <b>31 March 2015</b> | <b>Increase/decrease<br/>(-) in net liability</b> |
|-----------------------------|----------------------|----------------------|---|
|                             | <b>£m</b>            | <b>£m</b>            | <b>£m</b>   |
| LGPS                        | 372.8                | 486.2                | 113.4   |
| Teachers Discretionary      | 50.9                 | 53.5                 | 2.6   |
| Firefighters                | 217.4                | 259.6                | 42.2  |
| Firefighters Injury         | 24.3                 | 28.1                 | 3.8   |
| <b>All schemes</b>          | <b>665.4</b>         | <b>827.4</b>         | <b>162.0</b>                                      |

A table analysing the change in the present value of pension scheme liabilities is on page 70.

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 71 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 2015, 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.

| <b>Pension Scheme</b>       | <b>2013/14 Rate of Return<br/>%</b> | <b>2014/15 Rate of Return<br/>%</b> |
|-----------------------------|-------------------------------------|-------------------------------------|
| Teachers                    | 1.5% real (4.3% actual)             | 0.8% real (3.2% actual)             |
| Fire-fighters               | 1.9% real (4.4% actual)             | 0.8% real (3.2% actual)             |
| Fire-fighters injury awards | 1.9% real (4.4% actual)             | 0.8% real (3.2% actual)             |
| LPGS                        | 1.5% real (4.3% actual)             | 0.8% real (3.2% actual)             |
| <b>Total</b>                |                                     |                                     |

## 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 2014/15, teachers paid between 6.4% and 12.4% of their salary (6.4% in 2013/14) and we paid 14.1% of teachers' salaries (14.1% in 2013/14). A supplementary contribution is not needed at present. The total employers' contribution cost was £13.6 million in 2014/15 (£14.3 million in 2013/14).

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 calculate our liabilities using the assumptions shown in the table on page 69 and their opinion on the life expectancy of people once they have retired.

In 2014/15 the pension payments relating to added pensionable years we have awarded came to £3.0 million (£3.0 million in 2013/14) and represented 3.1% (3.0% in 2013/14) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2014/15, these retirement costs were nil (£0.3 million in 2013/14).

### **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. This grant is paid to the Firefighters Pension Fund and not the County Council.

The employees' and employers' contribution rates set by the Government for 2014/15 are between 11.0% and 17.0%/8.5% and 12.5% (employees old scheme/new scheme) and 21.3%/11.0% (employers old scheme/new scheme) of firefighters' pay. In 2014/15, pension payments totalled £5.6 million (£5.5 million in 2013/14) and this was 64.5% (59.7% in 2013/14) of pensionable pay. We must pay any costs relating to early retirement. The costs totalled £2.0 million in 2014/15.

The table on page 69 reflects our actuaries 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 2014/15 we paid £0.255 million (£0.213 million in 2013/14) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees contributions of which £0.021 million (£0.020 in 2013/14) was outstanding at the year end. Our contribution represents 14.0% of pensionable pay (14.0% in 2013/14).

### **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. It is a funded defined benefit salary scheme, meaning that we and employees pay contributions into a fund calculated at a level intended to balance pension liabilities with investment assets.

An 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. The valuation on 31 March 2013 set the rates for 2014/15, 2015/16 and 2016/17. The valuation on 31 March 2010 set the rates for 2013/14.

In the valuation carried out as at 31 March 2013 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% and is expected to increase by 0.75% per annum for 2015/2016 and 2016/2017.

In 2014/15, the contribution rates were based on the results of the 31 March 2013 actuarial valuation. As a result, our employer's contribution rate was 275% of the employees' contribution (235% for 2013/14).

In 2014/15, we made normal employer's contributions totalling £22.8 million (£21.6 million in 2013/14).

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2014/15, these came to £1.3 million (£1.3 million in 2013/14), which was 1.0% (1.0% in 2013/14) of pensionable pay.

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

| 31 March 2014<br>£ m | Local Government Pension Scheme | 31 March 2015<br>£ m |
|----------------------|---------------------------------|----------------------|
| 782.9                | Fair value of assets            | 782.9                |
| -1,155.8             | Present value of liabilities    | -1,358.9             |
| <b>-372.9</b>        | <b>Shortfall</b>                | <b>-576.0</b>        |

| 31 March 2014<br>£ m | Local Government Pension Scheme              | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 1,099.0              | Assets at last valuation as at 31 March 2013 | 1,379.2              |
| 1,477.7              | Whole Fund Assets as at 31 March 2015        | 1,631.3              |

We 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 69.

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 value of the pension fund assets at 31 March 2015 is based on the market value at 31 December 2014. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the Balance Sheet date.

There were re-measurements as a result of a difference between expected and actual returns on assets which amounted to 7.7% of the value of assets at 31 March 2015.

The fair value of our share of the Warwickshire LGPS Pension Fund assets are as follows:

| 31 March 2015                            | Quoted prices in<br>active markets<br>£ million | Quoted prices not<br>in<br>active markets<br>£ million | Total<br>£ million | Percentage of<br>total assets |
|--|---|--|--------------------|-------------------------------|
| <b>Equity securities:</b>                |   |  |                    |                               |
| Consumer                                 | 91.1  | 0.0  | 91.1               | 10%                           |
| Manufacturing                            | 38.7  | 0.0  | 38.7               | 4%                            |
| Energy and utilities                     | 31.1  | 0.0  | 31.1               | 4%                            |
| Financial institutions                   | 50.9  | 0.0  | 50.9               | 6%                            |
| Health and care                          | 20.6  | 0.0  | 20.6               | 2%                            |
| Information technology                   | 22.9  | 0.0  | 22.9               | 3%                            |
| Other                                    | 23.8  | 0.0  | 23.8               | 3%                            |
| <b>Private equity:</b>                   |   |  |                    |                               |
| All                                      | 0.0   | 15.7   | 15.7               | 2%                            |
| <b>Real estate:</b>                      |   |  |                    |                               |
| UK property                              | 88.0  | 0.0  | 88.0               | 10%                           |
| Overseas property                        | 1.1   | 0.0  | 1.1                | 0%                            |
| <b>Investment funds and unit trusts:</b> |   |  |                    |                               |
| Equities                                 | 224.8   | 0.0  | 224.8              | 26%                           |
| Bonds                                    | 151.7   | 0.0  | 151.7              | 17%                           |
| Hedge funds                              | 0.0   | 38.6   | 38.6               | 4%                            |
| Other                                    | 32.1  | 0.0  | 32.1               | 4%                            |
| <b>Cash and cash equivalents</b>         | 41.5  | 0.0  | 41.5               | 5%                            |
| <b>Totals</b>                            | <b>818.3</b>                                    | <b>54.3</b>  | <b>872.6</b>       | <b>100%</b>                   |

| 31 March 2014                            | Quoted prices in<br>active markets<br>£ million | Quoted prices not<br>in<br>active markets<br>£ million | Total<br>£ million | Percentage of<br>total assets |
|--|---|--|--------------------|-------------------------------|
| <b>Equity securities:</b>                |   |  |                    |                               |
| Consumer                                 | 83.8  | 0.0  | 83.8               | 11%                           |
| Manufacturing                            | 44.0  | 0.0  | 44.0               | 6%                            |
| Energy and utilities                     | 18.8  | 0.0  | 18.8               | 2%                            |
| Financial institutions                   | 37.1  | 0.0  | 37.1               | 5%                            |
| Health and care                          | 15.6  | 0.0  | 15.6               | 2%                            |
| Information technology                   | 27.4  | 0.0  | 27.4               | 3%                            |
| Other                                    | 23.1  | 0.0  | 23.1               | 3%                            |
| <b>Private equity:</b>                   |   |  |                    |                               |
| All                                      | 0.0   | 8.5  | 8.5                | 1%                            |
| <b>Real estate:</b>                      |   |  |                    |                               |
| UK property                              | 73.0  | 0.0  | 73.0               | 9%                            |
| Overseas property                        | 1.4   | 0.0  | 1.4                | 0%                            |
| <b>Investment funds and unit trusts:</b> |   |  |                    |                               |
| Equities                                 | 223.1   | 0.0  | 223.1              | 29%                           |
| Bonds                                    | 122.5   | 0.0  | 122.5              | 16%                           |
| Hedge funds                              | 0.0   | 35.4   | 35.4               | 5%                            |
| Other                                    | 66.1  | 0.0  | 66.1               | 8%                            |
| <b>Cash and cash equivalents</b>         | 0.0   | 3.2  | 3.2                | 0%                            |
| <b>Totals</b>                            | <b>735.8</b>                                    | <b>47.2</b>  | <b>782.9</b>       | <b>100%</b>                   |

Table may not sum due to roundings

| 31 March 2014<br>£ m | Change in Fair Value of WCC Share of LGPS Assets                         | 31 March 2015<br>£ m |
|----------------------|--|----------------------|
| 744.0                | Fair value of assets at the beginning of the year                        | 782.9                |
| 0.0                  | Effect of settlements  | -7.9                 |
| 33.4                 | Interest Income on plan assets   | 33.2                 |
| 9.3                  | Remeasurements on assets   | 67.3                 |
| 23.0                 | Employers' contributions (including receipts covering early retirements) | 25.5                 |
| 8.4                  | Member contributions   | 8.4                  |
| -35.2                | Benefits/transfers paid  | -36.7                |
| <b>782.9</b>         | <b>Fair value of assets at the end of the year</b>                       | <b>872.7</b>         |

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2015, 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 2015. 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 2015 are used instead of that calculated by HRAM.

For more information, please contact Mathew Dawson on 01926 412861 (email [mathewdawson@warwickshire.gov.uk](mailto:mathewdawson@warwickshire.gov.uk)) for a copy of our Pension Fund's Annual Report 2014/15.

| 31 March 2014     |          |                   |                          | Pension scheme assumptions                                | 31 March 2015 |             |                  |                              |
|-------------------|----------|-------------------|--------------------------|---|---------------|-------------|------------------|------------------------------|
| LGPS              | Teachers | Firefighters      | Firefighter Injury Award |   | LGPS          | Teachers    | New Firefighters | Firefighter and Injury Award |
| 2.8%              | 2.8%     | 2.5%              | 2.5%                     | <b>Financial assumptions:</b>                             | 2.4%          | 2.4%        | 2.5%             | 2.4%                         |
| 4.6%              | n/a      | 4.5%              | 4.5%                     | Rate of Inflation CPI                                     | 4.3%          | 4.3%        | 3.5%             | 3.4%                         |
| 2.8%              | 2.8%     | 2.5%              | 2.5%                     | Salary Increase   | 2.4%          | 2.4%        | 2.5%             | 2.4%                         |
| 4.3%              | 4.3%     | 4.4%              | 4.4%                     | Pensions increases  | 3.2%          | 3.2%        | 3.3%             | 3.2%                         |
|                   |          |                   |                          | Rate of discount  |               |             |                  |                              |
|                   |          |                   |                          | <b>Life expectancy assumptions:</b>                       |               |             |                  |                              |
| 22.4 (24.4) years | n/a      | 23.5 (25.5) years | n/a                      | A male (female) current pensioner aged 65                 | 22.4 (24.4)   | 22.4 (24.4) | 29.5 (31.7)      | 29.5 (31.7)                  |
| 24.3 (26.6) years | n/a      | 26.6 (26.8) years | n/a                      | A male (female) future pensioner aged 65 in 20 years time | 24.3 (26.6)   | 24.3 (26.6) | 31.1 (33.2)      | 31.1 (33.2)                  |
|                   |          |                   |                          | <b>Commutation of pension for lump sum at retirement:</b> |               |             |                  |                              |
| 50.0%             | n/a      | n/a               | n/a                      | ~ Taking maximum cash                                     | 75.0%         | n/a         | 90.0%            | 90.0%                        |
| 50.0%             | n/a      | n/a               | n/a                      | ~ Taking 3/80th cash                                      | 50.0%         | n/a         | n/a              | n/a                          |

The sensitivity regarding the principal assumptions used to measure the scheme liabilities are set out below.

| Change in assumptions as at 31 March 2015  | Approximate increase to Employer Liability<br>% | Approximate monetary amount<br>£ m |
|--|---|------------------------------------|
| 0.5% decrease in real discount rate        | 10%   | 142.6                              |
| 1 year increase in member life expectancy  | 3%  | 40.8                               |
| 0.5% increase in the salary increase rate  | 3%  | 46.2                               |
| 0.5% increase in the pension increase rate | 7%  | 93.1                               |

| 31 March 2014    |                      |                          |   | Change in present value of pension scheme liabilities during the year | 31 March 2015    |                      |                          |   |
|------------------|----------------------|--------------------------|---|---|------------------|----------------------|--------------------------|---|
| LGPS<br>£million | Teachers<br>£million | Firefighters<br>£million | Firefighter<br>Injury Award<br>£million |   | LGPS<br>£million | Teachers<br>£million | Firefighters<br>£million | Firefighter<br>Injury Award<br>£million |
| 1,110.5          | 50.7                 | 223.4                    | 17.1                                    | Benefit obligation at the beginning of the year                       | 1,155.7          | 51.0                 | 217.5                    | 24.3                                    |
| 32.6             | 0.0                  | 4.9                      | 0.8                                     | Current service costs   | 30.9             | 0.0                  | 4.1                      | 0.5                                     |
| 0.0              | 0.0                  | 0.0                      | 0.0                                     | Effect of Settlements   | -19.4            | 0.0                  | 0.0                      | 0.0                                     |
| 50.1             | 2.2                  | 9.6                      | 0.7                                     | Interest on pensions liabilities                                      | 48.6             | 2.1                  | 9.5                      | 1.0                                     |
| 8.4              | 0.0                  | 1.1                      | 0.0                                     | Member contributions  | 8.4              | 0.0                  | 1.2                      | 0.0                                     |
| 0.7              | 0.0                  | 0.0                      | 0.0                                     | Past service costs (gain)   | 0.4              | 0.0                  | 0.0                      | 0.0                                     |
| -35.2            | -3.2                 | -6.6                     | -0.6                                    | Benefits/transfers paid   | -36.7            | -3.3                 | -7.1                     | -0.6                                    |
| -11.4            | 1.3                  | -9.6                     | 6.3                                     | Remeasurements on liabilities   | 170.9            | 3.7                  | 34.5                     | 2.9                                     |
| 0.0              | 0.0                  | -5.3                     | 0.0                                     | Changes in assumptions  | 0.0              | 0.0                  | 0.0                      | 0.0                                     |
| <b>1,155.7</b>   | <b>51.0</b>          | <b>217.5</b>             | <b>24.3</b>                             | <b>Present value of liabilities at the end of the year</b>            | <b>1,358.8</b>   | <b>53.5</b>          | <b>259.7</b>             | <b>28.1</b>                             |

| 31/03/2014   |                |                        |                                       |              | Pension scheme accounting  | 31 March 2015 |                |                        |                                       |              |
|--------------|----------------|------------------------|---------------------------------------|--------------|--|---------------|----------------|------------------------|---------------------------------------|--------------|
| LGPS<br>£m   | Teachers<br>£m | Fire<br>fighters<br>£m | Fire fighter<br>Injury<br>Award<br>£m | Total<br>£m  |  | LGPS<br>£m    | Teachers<br>£m | Fire<br>fighters<br>£m | Fire fighter<br>Injury<br>Award<br>£m | Total<br>£m  |
| 32.6         | 0.0            | 4.9                    | 0.7                                   | 38.2         | <b>Spending:</b>   | 30.9          | 0.0            | 4.1                    | 0.5                                   | 35.5         |
| 0.7          | 0.0            | 0.0                    | 0.0                                   | 0.7          | Current service cost   | 0.4           | 0.0            | 0.0                    | 0.0                                   | 0.4          |
|              |                |                        |                                       |              | Past service cost and curtailments   | -11.5         | 0.0            | 0.0                    | 0.0                                   | -11.5        |
| 50.1         | 2.2            | 9.6                    | 0.8                                   | 62.7         | Effects of Settlement  | 48.6          | 2.1            | 9.5                    | 1.0                                   | 61.2         |
| -33.4        | 0.0            | 0.0                    | 0.0                                   | -33.4        | Interest cost  | -33.2         | 0.0            | 0.0                    | 0.0                                   | -33.2        |
| <b>50.0</b>  | <b>2.2</b>     | <b>14.5</b>            | <b>1.5</b>                            | <b>68.2</b>  | Interest income on plan assets   | <b>35.2</b>   | <b>2.1</b>     | <b>13.6</b>            | <b>1.5</b>                            | <b>52.4</b>  |
|              |                |                        |                                       |              | <b>Net charge to CIES</b>  |               |                |                        |                                       |              |
| -6.3         | -0.2           | 6.0                    | -7.2                                  | -7.7         | <b>Contribution from Pensions Reserve:</b>                                     | -113.4        | -2.6           | -42.2                  | -3.8                                  | -162.0       |
| -20.7        | 1.3            | -15.1                  | 6.3                                   | -28.2        | Movement on the Pensions Reserve   | 103.7         | 3.7            | 34.5                   | 2.9                                   | 144.8        |
| n/a          | n/a            | -3.7                   | n/a                                   | -3.7         | Re-measurements recognised in CIES   | n/a           | n/a            | -4.7                   | n/a                                   | -4.7         |
| <b>-27.0</b> | <b>1.1</b>     | <b>-12.8</b>           | <b>-0.9</b>                           | <b>-39.6</b> | Funded by Government top up grant  | <b>-9.7</b>   | <b>1.1</b>     | <b>-12.4</b>           | <b>-0.9</b>                           | <b>-21.9</b> |
|              |                |                        |                                       |              | <b>Contribution (from) Pensions Reserve</b>                                    |               |                |                        |                                       |              |
| 23.0         | n/a            | 1.8                    | n/a                                   | 24.8         | <b>Actual amount charged against council tax:</b>                              | 25.5          | n/a            | 1.7                    | n/a                                   | 27.2         |
| <b>23.0</b>  | <b>n/a</b>     | <b>1.8</b>             | <b>n/a</b>                            | <b>24.8</b>  | Employers contributions & ill-health contributions                             | <b>25.5</b>   | <b>n/a</b>     | <b>1.7</b>             | <b>n/a</b>                            | <b>27.2</b>  |
|              |                |                        |                                       |              | <b>Amount charged against council tax</b>                                      |               |                |                        |                                       |              |
| n/a          | n/a            | 6.6                    | n/a                                   | 6.6          | <b>Amount funded by government top up grant</b>                                | n/a           | n/a            | 7.1                    | n/a                                   | 7.1          |
| 0.0          | 0.0            | 0.0                    | 0.0                                   | 0.0          | Retirement benefits paid and due to be paid to pensioners and transfers out    | 0.0           | 0.0            | 0.5                    | 0.0                                   | 0.5          |
| n/a          | n/a            | -1.1                   | n/a                                   | -1.1         | Retirement Benefits paid directly by Government Top Up Grant                   | n/a           | n/a            | -1.2                   | n/a                                   | -1.2         |
| n/a          | n/a            | -1.8                   | n/a                                   | -1.8         | Employee contributions   | n/a           | n/a            | -1.7                   | n/a                                   | -1.7         |
| <b>n/a</b>   | <b>n/a</b>     | <b>3.7</b>             | <b>n/a</b>                            | <b>3.7</b>   | Employers contributions & ill-health contributions                             | <b>n/a</b>    | <b>n/a</b>     | <b>4.7</b>             | <b>n/a</b>                            | <b>4.7</b>   |
|              |                |                        |                                       |              | <b>Government top up grant receivable</b>                                      |               |                |                        |                                       |              |
| -50.0        | -2.2           | -21.1                  | -1.5                                  | -74.8        | <b>Movement in Reserves Statement</b>  | -35.2         | -2.2           | -21.2                  | -1.5                                  | -60.1        |
| 23.0         | 0.0            | 1.8                    | 0.0                                   | 24.8         | Reversal of net charges made for retirement benefits in accordance with IAS 19 | 25.5          | 0.0            | 1.7                    | 0.0                                   | 27.2         |
| 0.0          | 3.2            | 6.6                    | 0.6                                   | 10.4         | Employers contributions & ill health contributions                             | 0.0           | 3.3            | 7.1                    | 0.6                                   | 11.0         |
| <b>-27.0</b> | <b>1.0</b>     | <b>-12.7</b>           | <b>-0.9</b>                           | <b>-39.6</b> | Retirement benefits paid or due to be paid to pensioners and transfers out     | <b>-9.7</b>   | <b>1.1</b>     | <b>-12.4</b>           | <b>-0.9</b>                           | <b>-21.9</b> |
|              |                |                        |                                       |              | <b>Movement in Reserves Statement</b>  |               |                |                        |                                       |              |

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £1,700.1 million has a substantial effect on our net worth as recorded in the Balance Sheet, resulting in an overall balance of £827.4 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.

[illegible]

| 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         |
| 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        |
| 2014/15  | 0.0                              | 0.0 | 42.5                                  | 16.4 | -8.0   | -3.1 | 34.5        |
| <b>Total cumulative actuarial gains and losses (remeasurements recognised in CIES)</b> |                                  |     |                                       |      |  |      | <b>91.7</b> |

| 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        |
| 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        |
| 2014/15  | 0.0                              | 0.0 | 3.5                                   | 12.5 | -0.6   | -2.1 | 2.9        |
| <b>Total cumulative actuarial gains and losses (remeasurements recognised in CIES)</b> |                                  |     |                                       |      |  |      | <b>7.7</b> |

#### 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.

| 2013/14 surplus (-) | Pooled budgets with health   | 2014/15          |             |             |            |
|---------------------|--|------------------|-------------|-------------|------------|
|                     |  | Our contribution | Total pool  | Total spend | Deficit    |
| £ m                 |  | £ m              | £ m         | £ m         | £ m        |
| -0.2                | Section-31 agreements:<br>- Integrated community-equipment service | -1.7             | -4.6        | 5.3         | 0.7        |
| <b>-0.2</b>         | <b>Total</b>   | <b>-1.7</b>      | <b>-4.6</b> | <b>5.3</b>  | <b>0.7</b> |

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

The entire deficit at the end of the year, £0.7 million, is owed by the 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 £0.4 million of the £0.5 million generated by the pool, will be shared between pool members.

| 31 March 2014<br>£m | Coventry and Warwickshire Business Rate Pool | 31 March 2015<br>£m |
|---------------------|--|---------------------|
| -0.3                | Gain from pooling                            | -0.5                |
| 0.2                 | Less: allocations to Pool members            | 0.4                 |
| 0.6                 | Less: safety net payments                    | 0.0                 |
| <b>0.5</b>          | <b>Pool Deficit/Surplus for the year</b>     | <b>-0.1</b>         |

The deficit for 2013-2014 was further reduced to £0.2m following adjustments to the pool in relation to District Council figures after our accounts were published. The deficit has been further reduced to £0.1 million with the surplus from pooling above. The overall current deficit of £0.1 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 from the Pool was £127,000.

## 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 73.

### Elected Members

Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2014/15 is shown in note 36 on page 58. During 2014/15 works and services to the value of £25.7 million were commissioned from companies in which elected members had an interest (this includes £7.8 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 2014/15 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 £16.6 million to other local authorities, central government and public bodies including £5.4 million to Her Majesty's Revenue and Customs, and they owed us £17.8 million including £4.7 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 2014/15 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.<br>1/6 Voting Rights<br>£1,502,500 preference share valued at £0.061 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                        |
| Coventry and Warwickshire Waste Disposal Company               | 1 ordinary share<br>1 representative on Shareholder panel with 1% voting rights and 24% voting rights for matters relating to WCC SLA agreement | No right to appoint to board of Directors.<br>1% proxy vote unless WCC SLA related. |
| Local Capital Finance Company Limited                          | 80,000 fully paid B Shares of £0.01<br>120,000 ordinary Shares of 1p each   | No Directors appointed by WCC   |

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 2014/15 we paid ESPO £2.0 million for goods and services (£2.2 million in 2013/14). The total amount of invoiced sales for ESPO-managed contracts in 2014/15 was £95.6 million (£94.0 million in 2013/14). 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 2014/15 (£0.2 million in 2013/14).

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 2014/15.

#### Note 44: 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 total income for 2014/2015 for our significant trading activities was £45.8 million (£47.9 million in 2013/14) which included £33.5 million of internal income recharged to services (£36.6 million in 2013/14).

The spending in the table is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the required accounting treatment of IAS 19 pension costs (to reflect the actual costs of pensions decisions they have taken in the current year). The total value of this adjustment is £0.5 million (£1.0 million in 2013/14).

| 2013/2014              | Memo  | Trading activity  | 2014/2015       |                                    |                        |                        | Memo  |
|------------------------|---|---|-----------------|------------------------------------|------------------------|------------------------|---|
| Net Expenditure<br>£ m | Net Expenditure before technical adjustments<br>£ m |   | Turnover<br>£ m | Spend after internal income<br>£ m | External income<br>£ m | Net expenditure<br>£ m | Net Expenditure before technical adjustments<br>£ m |
| 0.3                    | 0.1   | County caterers   | 10.6            | 2.1                                | -2.4                   | -0.3                   | -0.4  |
| 0.2                    | 0.2   | County cleaning   | 0.4             | 0.0                                | 0.0                    | -0.1                   | -0.1  |
| -0.1                   | -0.2  | Schools finance   | 1.1             | 0.0                                | -0.1                   | -0.1                   | -0.1  |
| -0.3                   | -0.3  | Construction services                                   | 6.6             | 1.5                                | -1.4                   | 0.1                    | 0.0   |
| -0.2                   | -0.3  | County fleet maintenance                                | 3.6             | 0.8                                | -1.0                   | -0.2                   | -0.2  |
| -0.2                   | -0.1  | Design services   | 2.7             | 0.8                                | -0.8                   | -0.1                   | -0.1  |
| 0.1                    | -0.1  | Legal services  | 4.2             | 1.3                                | -1.2                   | 0.1                    | 0.0   |
| 0.5                    | 0.4   | ICT services  | 4.1             | 1.0                                | -0.8                   | 0.2                    | 0.1   |
| 0.0                    | 0.0   | County Music Service                                    | 1.7             | 0.6                                | -0.6                   | 0.0                    | 0.0   |
| -0.1                   | -0.1  | Early intervention                                      | 1.6             | 0.4                                | -0.4                   | 0.0                    | 0.0   |
| 0.1                    | 0.1   | School absence (sickness scheme)                        | 2.3             | -0.2                               | 0.0                    | -0.2                   | -0.2  |
| 0.9                    | 0.4   | Other trading accounts (turnover of less than £1m each) | 7.0             | 3.8                                | -3.6                   | 0.2                    | 0.3   |
| 1.2                    | 0.1   | <b>Total</b>  | <b>45.8</b>     | <b>12.0</b>                        | <b>-12.3</b>           | <b>-0.3</b>            | <b>-0.7</b>   |

Table may not sum due to roundings

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 Firefighters' Pension Fund

| 2013/14<br>£ 000's | Fund account  | 2014/15<br>£ 000's |
|--------------------|---|--------------------|
|                    | <b>Income to the fund</b>   |                    |
|                    | <b>Contributions receivable (funds due to us during the year):</b>                      |                    |
|                    | - from employer: Warwickshire County Council  |                    |
| -1,705             | - normal contributions in relation to pensionable pay                                   | -1,639             |
| -112               | - early retirements   | -74                |
| -22                | - other contributions   | -22                |
| -1,111             | - from members (firefighter's contributions)  | -1,196             |
|                    | <b>Transfers in:</b>  |                    |
| 0                  | - individual transfers in from other authorities  | 0                  |
| <b>-2,950</b>      | <b>Income to the fund</b>   | <b>-2,931</b>      |
|                    | <b>Spending by the fund</b>   |                    |
|                    | <b>Benefits payable:</b>  |                    |
| 5,429              | - Pension payments  | 5,429              |
| 1,173              | - Commutation of pensions and lump-sum retirement benefits                              | 2,064              |
| 0                  | - Lump sum death benefits   | 0                  |
|                    | <b>Payments to and on account of leavers</b>  |                    |
| 0                  | - Individual transfers out of the scheme to other authorities                           | 130                |
| <b>6,602</b>       | <b>Spending by the fund</b>   | <b>7,623</b>       |
| <b>3,652</b>       | <b>Net amount payable for the year (before top-up grant receivable from Government)</b> | <b>4,692</b>       |
| -3,652             | Top-up grant payable by the Government  | -4,692             |
| <b>0</b>           | <b>Net amount payable or receivable (-) for the year</b>                                | <b>0</b>           |

| 31 March 2014<br>£ 000's | Firefighters' Pension Fund net assets statement                               | 31 March 2015<br>£ 000's |
|--------------------------|---|--------------------------|
|                          | <b>Current assets:</b>  |                          |
| 817                      | - Top-up grant receivable from Government                                     | 771                      |
| 0                        | - other current assets (other than assets in the future) ~ debtor             | 0                        |
|                          | <b>Current liabilities:</b>   |                          |
| -817                     | - other current liabilities (other than liabilities in the future) ~ creditor | -771                     |
| <b>0</b>                 | <b>Net assets or liabilities (-) at the end of the year</b>                   | <b>0</b>                 |

### Notes to the Firefighters' Pension Fund statements

#### Note 1: Fund operations

The Firefighters' Pension Scheme in England is 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 required 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. A small number of ill-health pensions of fire-fighters who retired on the grounds of injury or other ill-health but who were not in the pension scheme when they retired, have inadvertently been charged to the pension fund since pensions became funded by grant and hence too much grant had been claimed from the Government in previous years. We have agreed with our auditors that as this is not a material error that the adjustment is made to the current year's figures. The grant due at 31 March 2015 has therefore been reduced by the appropriate overpaid grant to be settled in 2015/2016.

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 2015. Details of the long term pension obligations, employees and employers contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters Pension Fund are found in note 39 to the accounts on pages 62 to 73.

#### 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 Actuary.

#### 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 their entire 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 2015



*Working for  
Warwickshire*

# Annual Governance Statement 2014/2015

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## Annual Governance Statement 2014/2015

### 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 2015 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, service users and communities

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'. This provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period 2014-18. The One Organisational Plan was approved by Council on 25th February 2014 and the business outcomes that support the delivery of the core purpose were agreed by Cabinet in March 2014. <http://www.warwickshire.gov.uk/businessplan>

The One Organisational Plan was informed by an extensive programme of consultation which was reported to Cabinet in December 2013 <http://askwarks.wordpress.com/2014/01/07/feedback-from-the-lets-talk-public-engagement/>.

Our annual Quality of Life Report provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities 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: <http://www.warwickshireobservatory.org/quality-of-life-in-warwickshire-201415/>

We have communicated the One Organisational Plan to citizens through a range of media including dedicated pages on our website and social media. <http://oop.warwickshire.gov.uk/>

#### 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

Our core purpose provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period. The One Organisational Plan fully integrates the corporate and financial planning processes and pulls together the key elements of a number of different existing corporate plans and documents to provide the focus for the delivery of our core purpose and key outcomes. <http://www.warwickshire.gov.uk/strategicdirection>

- The One Organisational Plan outlines our core purpose and the key outcomes we want to achieve for Warwickshire by 2018. <http://www.warwickshire.gov.uk/businessplan>
- The Medium Term Financial Plan supports the One Organisational Plan by setting out how we intend to use and raise the resources needed to deliver our services and priorities over the medium term. The 2015/16 Budget and a refresh of the Medium Term Financial Plan for 2015-18 were approved by the County Council on 5<sup>th</sup> February 2015.

### 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

The performance monitoring and reporting arrangements for the One Organisational Plan were approved by Cabinet in June 2014 and includes the following mechanisms:

- Progress against the One Organisational Plan and the delivery of the savings is reported formally to Cabinet on a quarterly basis followed by Overview & Scrutiny.
- A dashboard has been rolled out to managers providing access to performance information for services. The dashboard provides access to real time HR, Finance and Performance data for their area of the business, and enables managers to interrogate information quickly and efficiently, making key indicators easier to monitor.
- Each Group has arrangements in place for reporting performance to its Group Leadership Team (GLT).

[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](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

The roles and responsibilities of senior officers, 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**

The One Organisational Plan sets the high level desired outcomes and is supported by projects and service plans. It provides the necessary framework to deliver change management and transformation and to ensure clear line of sight in the delivery of WCC's Core Purpose and Outcomes at strategic, group and business unit levels. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the delivery of the outcomes set out in the One Organisational Plan as well as the key business outcomes that support and underpin it.

The One Organisational Plan is aligned to the medium term financial plan to ensure a joined up approach to delivering the organisational plan outcomes and the agreed 4 year savings plan. These are both reviewed as part of the annual budget setting process to identify future service and budgetary requirements and to respond to further requirements for change.

From attracting and retaining the right people, providing the development they need to allow them to grow and progress, managing the talent and planning for the future the way in which we lead and manage our people is key to the successful delivery of quality services for Warwickshire people. The Workforce Strategy outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. 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 One Organisational Plan.

### **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* 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. They include the following:

- The Head of Finance fulfils the role of Chief Finance Officer. He 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.
- 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* 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. In particular the Chief Risk and Assurance Manager is designated as the Head of Internal Audit. He 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. A self-assessment against the Public Sector Internal Audit Standards (PSIAS) has been completed and compliance 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 Strategic Director for Resources fulfils the responsibilities of the Monitoring Officer. The Strategic Director 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 Strategic Director 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 Strategic Director 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 Chief Executive 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 Corporate Governance Framework is supported by a programme of governance training for officers and a range of internal audits. Online governance training for all staff was introduced during 2014.

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.

We are working alongside other local authorities in Warwickshire to establish a Counter-Fraud Partnership to deter and detect fraud.

### **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 Strategic Director for Resources, Head of Finance and the Head of Law and Governance.

Financial Regulations were approved by full Council on 26<sup>th</sup> September 2013 and work is underway to develop a supporting suite of procedures. <http://www.warwickshire.gov.uk/financialregulations>

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 best value is considered in all purchasing activities. The current set of Contract Standing Orders was approved by full Council in September 2013 and is contained within the Constitution: <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 2014-15 include:

- A Local Government Association sponsored corporate peer review completed in September 2014. This provided an external 'health-check' of the organisation by considering the core components looked at by all corporate peer challenges.
- A peer review of adult social care was undertaken by West Midlands Association of Directors of Adult Social Care Services (WMDASS) in October 2014. This included Access arrangements with regard to Health and first point of contact, commissioning functions and Governance arrangements with regards to Better Care Fund (BCF), Care Act, People Group Transforms and Quality Assurance.
- A corporate Peer Review of the Health and Wellbeing Board undertaken in January 2015 which assessed our progress towards better integration of health and social care services. This is being followed up with partners and an action plan produced during summer 2015.

Findings and recommendations following these peer challenges (and also incorporating recommendations arising from an operational assessment peer review of the Fire Service completed in November 2013) are being taken forward by the County Council and partner bodies.

## 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 for Resources 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/conduct>

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.

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/cm5/>

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. Our governance arrangements will be kept under review in the coming year, with a particular focus on ensuring effective scrutiny. <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>

Information security is a key issue for us. 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 introduced mandatory training and required staff to formally accept their responsibilities. <http://www.warwickshire.gov.uk/informationsecurity>

## 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>.

### 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.

From attracting and retaining the right people, providing the development they need to allow them to grow and progress, managing the talent and planning for the future the way in which we lead and manage our people is key to the successful delivery of quality services for Warwickshire people. The Workforce Strategy outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. 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 One Organisational Plan.

The Working for Warwickshire Framework details the knowledge, skills, and qualities we need from our staff. This was made available to all staff from April 2014. As part of this framework 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 corporate staff appraisal process applies to staff across the organisation and is used as a tool to identify individual objectives and development needs. [The process is cascaded down through all tiers of staffing to ensure the objectives of the Authority run through the appraisals of all staff. http://www.warwickshire.gov.uk/corporateappraisal](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/>

During the development of the One Organisational Plan we conducted an extensive programme of public and partner 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. During 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. We are preparing for a further 'Let's Talk' exercise during 2015. <http://askwarks.wordpress.com/2014/01/07/feedback-from-the-lets-talk-public-engagement/>

The One Organisational Plan Delivery Group brings together a number of officers from both support functions and services across the organisation and at each meeting updates are given on current and upcoming consultations by officers involved (Legal, Warwickshire Observatory, Communications and Corporate Project Delivery). This allows further support to be given where appropriate, interdependencies to be identified and lessons to be learnt in a timely manner.

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: <http://www.warwickshire.gov.uk/staffequalityanddiversity>

The Petitions Scheme enables citizens to raise and formally present petitions to members and committees. 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.

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>

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. <http://www.healthwatchwarwickshire.co.uk/>

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

We actively contribute to partnerships including the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and collaborate with partners to promote good governance and delivery of outcomes. We are members of a number of sub-regional partnerships and groups which 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 scrutinise the decisions and actions of the PCC but in a way that supports the effective exercise of the functions of the PCC. <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. It brings together colleagues from the county council, district and borough councils, and the NHS to provide leadership and direction for the health and social care economy in the county.

## 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 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 Chief Risk and Assurance Manager (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 the strategic risk register prepared by executive managers and approved by Corporate Board. In addition Heads of Service have confirmed that they have complied with the risk management framework throughout the year. Consideration was also given 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 Strategic Director of Resources (Monitoring Officer) and the Head of Finance (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 2014/15 in a number of ways including:

- LGA Corporate Peer Review
- LGA Health and Wellbeing Peer Review
- Review of County Council electoral boundaries by the Local Government Boundary Committee for England (LGBCE)
- WMDASS Peer Review of adult social care services
- scrutiny reviews undertaken by task groups commissioned by Overview and Scrutiny Committees; 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 substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings were duly considered in the preparation of this statement.

## **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 highlights the 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. The table below summarises the risks contained in the Strategic Risk Register and the planned actions that will help us manage the risks to reduce the likelihood of them occurring or potential impact.

| Risk   | Further action to be taken  |
|--|---|
| <p><b>Government policies, new legislation, internal uncertainties and sustained austerity measures present immediate challenges and further significant imposed savings over the medium term.</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• Projected savings of £92m over 4 years threaten existing levels of service provision.</li> <li>• Further uncertainty over post 2015 local and general election financial landscape.</li> <li>• The growing devolution agenda which is already influencing local authority strategic thinking</li> <li>• An accelerated pace of change to respond to new policy timeframes and changes in service expectations.</li> <li>• School financial deficits outside the scope of the one organisational plan impact on the ability to deliver corporate savings.</li> <li>• IT investment is insufficient to fully support transformation process.</li> <li>• Uncertainty in resource and cost implications of implementing Stage 1 of the Care Act from 2015/16.</li> <li>• Legal challenge to decisions made by the Authority.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>• The Council is unable to achieve its key aims and objectives, to meet customer expectations and maintain an effective regulatory framework.</li> <li>• The pace of change and uncertainty about future local government structures stretches and challenges our governance and project management structures.</li> <li>• There is more pressure on expanding traded activity and income generation to protect the organisation's interests and core activities.</li> <li>• Impact on staff morale and productivity arising from transformational change.</li> <li>• Failure to deliver desired outcomes for the Council. Pace and scale of change could result in reputational risk, increased cost in services and failure to meet the legal requirements of the Care Act.</li> <li>• Actions to implement change and deliver savings are delayed.</li> </ul> | <ul style="list-style-type: none"> <li>• As part of an oversight of Transformation, continue to provide clarity about our priorities based on an analysis of need and budget plans which match our resources accordingly. This includes a corporate focus on expanding the commercial awareness of internal services.</li> <li>• On-going and effective communication of change and the reasons for change to all stakeholders and staff.</li> <li>• Clear guidance on consultation processes to be provided to Service Managers together with appropriate legal oversight.</li> <li>• Continue to explore and engage in the debate around greater devolution for England.</li> <li>• Findings and recommendations following the peer challenges to be collated and taken forward</li> <li>• Continue to build relationships with key partners and ensure that governance arrangements are robust.</li> <li>• Continue to monitor the implementation of savings plans.</li> </ul> |

| Risk   | Further action to be taken   |
|--|--|
| <p><b>Continuing pressure on Adult Social Services and Health.</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• Demographic trends and a huge national change agenda.</li> <li>• Winter pressures on key services.</li> <li>• Large scale and complex changes arising from the Care Act and Better Care Plan and a delay in co-ordinating and implementing those changes which fails to meet imposed timescales.</li> <li>• Commercial or contractual failure of private or independent care providers leads to disruption to care provision.</li> <li>• Poor quality of data and analysis may result in poor evidence based service planning, or failure to achieve value for money.</li> <li>• The Health and Wellbeing Board is continuing to develop relationships.</li> <li>• Changes in government policy towards adult social care and the NHS.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>• Failing to achieve efficiencies and respond to increasing demand using a commissioned approach to adult services (includes risk of contract failure).</li> <li>• Failing to secure services for people who the Care Act determine that the Local Authority must or should support.</li> <li>• Failing to meet statutory minimum levels of services would result in fines or intervention in services.</li> <li>• Failing to accurately predict the potential demand resulting from the Care Act and increased pressure on existing budgets.</li> <li>• Failure to maintain agreement on use of Better Care Funds and protection of social care, would lead to additional cost pressures through reduced funding support from health partners.</li> </ul> | <ul style="list-style-type: none"> <li>• Strategic Commissioning Unit lead on actions to progress the commissioning approach and respond to concerns about contractor performance and market failures.</li> <li>• Ensure the 5 priority areas in the Reablement Strategy are progressed within a project plan.</li> <li>• Seek potential wider integration opportunities across the health and social care economy to meet the requirements of the Better Care Fund.</li> <li>• Continue to monitor and manage change plans and budgets to ensure sustainability of service.</li> <li>• Implementation Plan for the Care Act Phase 2 taking place during 2015/16.</li> </ul> |
| <p><b>Safeguarding Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death</b></p>  | <ul style="list-style-type: none"> <li>• To constantly review the controls in place to actively manage down the risk of a Safeguarding incident occurring.</li> <li>• Development of the Multi Agency Safeguarding Hub with partners in Warwickshire</li> </ul>  |

| Risk  | Further action to be taken   |
|---|--|
| <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• An increasing volume of referrals and decreasing internal resources.</li> <li>• An increasing national focus on the threat of Child Sexual Exploitation and on historical cases of abuse.</li> <li>• Local pressures such as staff shortages and extreme demand.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>• Failing to deliver one of the Council's key aims to protect vulnerable members of our community.</li> <li>• Severe negative publicity and impact on key staff and future recruitment.</li> <li>• Inspections and possible intervention from regulators.</li> </ul> | <ul style="list-style-type: none"> <li>• An Integrated Case File Audit tool is being introduced in Adult Social Care from April 2015. This is part of developing a consistent quality assurance framework for People Group based on 5 key standards, including Standard 1 – “People Group Services safeguard their customers and promote their welfare”.</li> <li>• Introduction of case file audit tool in Child Safeguarding.</li> </ul>   |
| <p><b>Loss or corruption of personal or protected data held by the Council</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• A breach in our statutory information governance duties.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>• Serious breaches may lead to Information Commissioner investigation, potential for a significant fine and reputational damage.</li> <li>• More minor breaches still require internal investigation and reporting and negative media which damages the Council's reputation</li> </ul>   | <ul style="list-style-type: none"> <li>• Exploring options for cloud based information sharing with external parties to reduce paper exchanges and associated risks.</li> <li>• The Information Governance Steering Group to develop pro-active training across the Council.</li> </ul>  |
| <p><b>C&amp;W LEP and regional partnership working fail to deliver optimum economic benefits.</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• Any potential weaknesses in partnership and governance arrangements including the allocation of growth funding.</li> <li>• Potential conflicts of interest protecting strategic and financial interests.</li> <li>• Uncertainty about longer term commitments of all partners given the early stages of proposals for a West Midlands Combined Authority which may include Coventry City</li> </ul>   | <ul style="list-style-type: none"> <li>• Evidence-based research to inform discussions with all Local Authority Leaders in the area on options around a Combined Authority, and the implications of moving forward on this agenda.</li> <li>• The European Structural &amp; Investment Funds Programme will be launched in 2015/16, providing significant resources to support economic growth activity. Projects, programmes and match funding need to be secured to take advantage of this opportunity.</li> <li>• Successful implementation of and delivery of Growth Fund projects, demonstrating and</li> </ul> |

| Risk   | Further action to be taken  |
|--|---|
| <p>Council.</p> <ul style="list-style-type: none"> <li>Changes to central government policy following the 2015 general election.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>Unable to sustain essential income and resources to support growth in the Warwickshire economy and protect strategic and financial interests in LEP arrangements</li> <li>Failing to maximise any economic benefits from HS2 proposals either from the infrastructure project itself or subsequent economic drivers.</li> </ul>   | <p>impact on the local economy.</p> <ul style="list-style-type: none"> <li>Engagement with partners to consider and evaluate models of governance which would best enhance the economic prosperity of the County and give greater local control over resources and decision-making.</li> </ul>  |
| <p><b>Inability to sustain risk critical fire and rescue functions.</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Projected savings agreed by Council and One Council approach to delivering an effective and safe fire and rescue service.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>Weakening operational support to fire crews through a reduced ability to provide, maintain and review safe systems of work - impacting plant &amp; equipment, operational guidance, effective training and mobilising capability.</li> <li>The unique nature of fire and rescue is left vulnerable as a result of an inability to recognise the emergency nature of core business and that services need to be maintained 24/7 throughout the year.</li> </ul> | <ul style="list-style-type: none"> <li>Operational assurance is strengthened through the development of a Command Assurance Team. Its purpose is to seek and improve areas where systemic failure could occur.</li> <li>Performance measures refined and owned at all managerial levels and reported to Brigade Team level on a monthly basis.</li> <li>Continue to explore partnership and collaboration opportunities with other fire authorities.</li> <li>Implementation of new response model and emergency response standards from April 2015.</li> </ul> |
| <p><b>Inability to maintain critical services during disruptions.</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>Business Continuity Plan and framework are under review but progress with confirming continuity plans and implementing improvements is slow and some current service BCPs may still not be fit for purpose</li> </ul>  | <ul style="list-style-type: none"> <li>Complete the development of business continuity plans and develop a robust testing and maintenance programme.</li> </ul>   |

| Risk  | Further action to be taken  |
|---|---|
| <b>Effects</b> <ul style="list-style-type: none"> <li>• Avoidable service interruption and gaps in civil contingency responses.</li> <li>• Reduces staff confidence and engagement in the continuity planning process.</li> </ul>   |   |
| <b>Ensuring sufficient provision of school places across the County</b><br><b>Causes</b> <ul style="list-style-type: none"> <li>• Demographic changes and pressures in some areas of the County.</li> <li>• Changes in our relationship with schools and academies and the impact of significantly reduced capital and revenue resources.</li> <li>• Lack of appropriate in-county placements in particular for areas of growing need including Autism and Emotional Social and Behavioural Difficulties.</li> </ul> <b>Effects</b> <ul style="list-style-type: none"> <li>• Provision may not improve quickly enough to ensure that every child in Warwickshire has the opportunity to attend a good or outstanding school.</li> <li>• Potential for negative feedback following an authority wide Ofsted inspection.</li> <li>• Increased numbers of vulnerable children and those with SEND (Special Educational Needs and Disabilities) educated in out of county provision.</li> </ul> | <ul style="list-style-type: none"> <li>• Use the Sufficiency Strategy to address areas of under provision of school places.</li> <li>• Develop SEND capacity and capability within the County including the opening of a new Additional Educational Needs (AEN) school, developing models of partnership between special and mainstream schools and developing designated resourced SEN provision on school sites or satellite provision elsewhere.</li> </ul>    |
| <b>Meeting statutory requirements to drive improvement across all schools in the County.</b><br><b>Causes</b> <ul style="list-style-type: none"> <li>• Demographic changes and pressures in some areas of the County.</li> <li>• Increasing pressures on centrally managed Dedicated School Grant (DSG) budgets, and in particular, those arising in the High Needs block from Mainstream and Special School top-ups and Independent / Out of Authority placements.</li> </ul> <b>Effects</b> <ul style="list-style-type: none"> <li>• Failure to close the gap between the performance of Vulnerable Groups and other children</li> </ul>  | <ul style="list-style-type: none"> <li>• Commission the development of a medium term recovery plan to bring the centrally managed DSG back into balance.</li> <li>• Development and implementation of Vulnerable Learners Strategy to improve outcomes for our most vulnerable and disadvantaged groups.</li> <li>• Continue to engage with school governors and disseminate good governance practice through training, forums and published guidance.</li> </ul> |

| Risk   | Further action to be taken   |
|--|--|
| <ul style="list-style-type: none"> <li>• Provision may not improve quickly enough to ensure that every child in Warwickshire has the opportunity to attend a good or outstanding school.</li> <li>• Potential for negative feedback following an authority wide Ofsted inspection.</li> </ul>  |  |
| <p><b>Inability to manage the impact of HS2 on Warwickshire</b></p> <p><b>Causes</b></p> <ul style="list-style-type: none"> <li>• Limited ability to maintain positive relationships with all parties that have an interest in or are affected by HS2</li> <li>• WCC does not have the capacity or expertise to manage sustained multiple extensive technical consultations or to participate in the legislative processes for the Bill.</li> <li>• Impacts to WCC, communities and businesses are not identified.</li> </ul> <p><b>Effects</b></p> <ul style="list-style-type: none"> <li>• Loss of public amenities and failure to secure mitigations, enhancements, incentives or benefits.</li> <li>• Impact on delivery of county council services and communities if the scheme progresses.</li> </ul> | <ul style="list-style-type: none"> <li>• Monitor progress with the second reading of the Hybrid Bill and respond accordingly.</li> <li>• WCC needs to hold HS2 Ltd to account for the delivery of the promised mitigation measures.</li> </ul> |

## 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 the corporate risk register, and that the actions identified will address the need for improvements that were highlighted in our review of effectiveness. These are monitored and reported to members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.



**Jim Graham**  
**Chief Executive**



**Councillor Izzi Seccombe**  
**Leader of the Council**

Date: 24<sup>th</sup> September 2015

