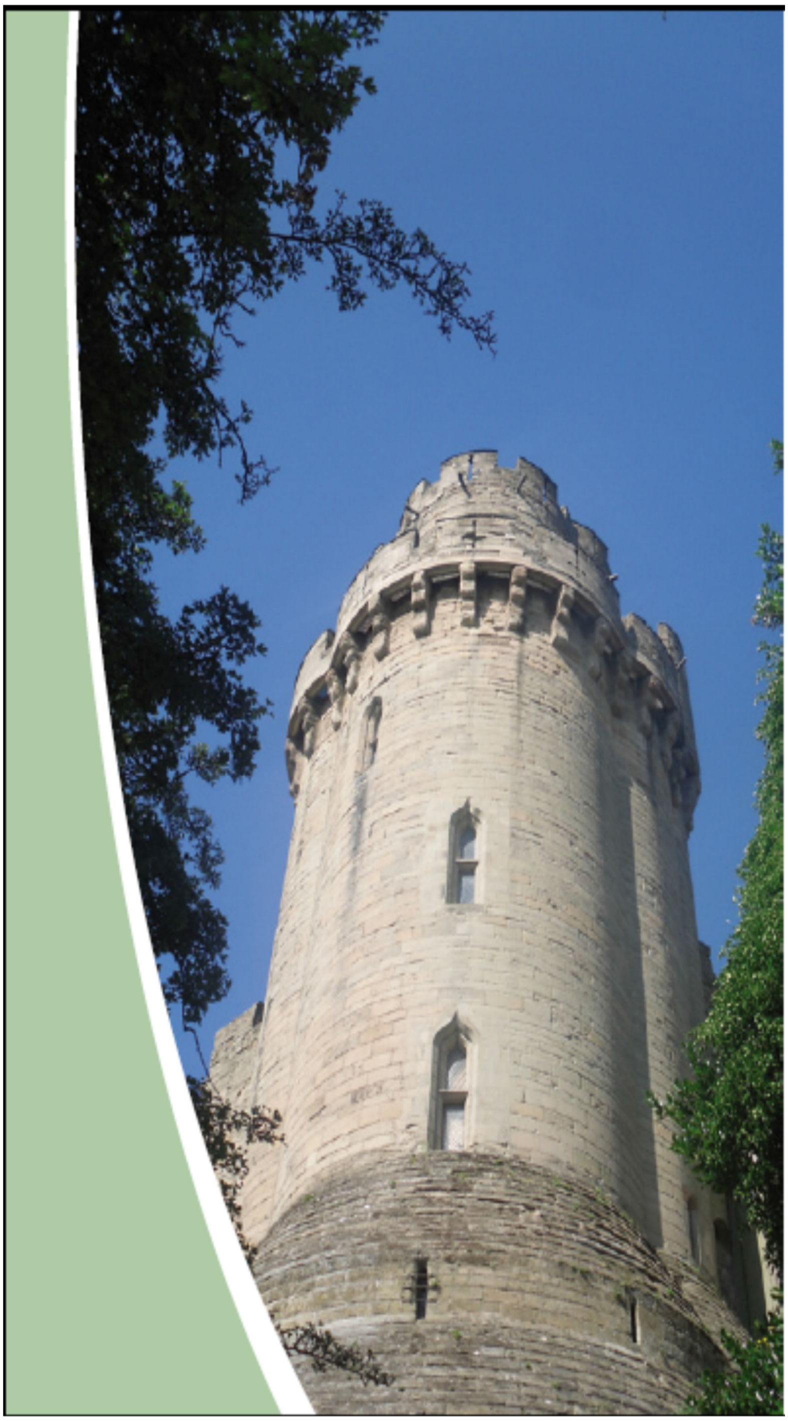
Warwickshire County Council



Statement of Accounts and Annual Governance Statement

2015/16

Working for Warwickshire

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

- Phone: 01926 412239
- E-mail: vrennie@warwickshire.gov.uk

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

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

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

We have audited the financial statements of Warwickshire County Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in '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 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until we have completed:

- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016,

- our consideration of objections brought to our attention by a local authority elector under Section 27 of the Act.

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

We are also required to give an opinion on the consistency of the pension fund financial statements of the Authority 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 2016. 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 Act and the Code.

Grant Patterson

Grant Patterson
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Plaza
Birmingham
B4 6AT

23 September 2016

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 2015.

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 and other irregularities, 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 2016 and the income and expenditure for the year ended 31 March 2016. The unaudited draft accounts were authorised for issue on 30 June 2016. These were audited and were considered and approved at a meeting of the Council on 22 September 2016.

John Betts
Head of Finance — **Date: 22 September 2016**

Councillor Bob Hicks
Chair of the Council — **Date: 22 September 2016**

Narrative Statement (Report) 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 2015/16. They represent the financial results of the delivery of the second 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 narrative report is set out in three parts. The first provides some key information that summarises our financial performance in 2015/16 and our effectiveness in the use of resources. The second part looks forward, outlining the impact of the current economic climate and the risks we face on our resources and the services we provide. The third part provides information on how the Financial Accounts for 2015/16 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).

In considering this report, you 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. This is mainly due to the accounting adjustments required to comply with reporting requirements, 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 draft Statement of Accounts for 2015/16 was available for inspection from 1 July 2016 to 11 August 2016. The formal audit of our accounts began on 13 June 2016 and we received an unqualified opinion on the Statement of Accounts on 23 September 2016. 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

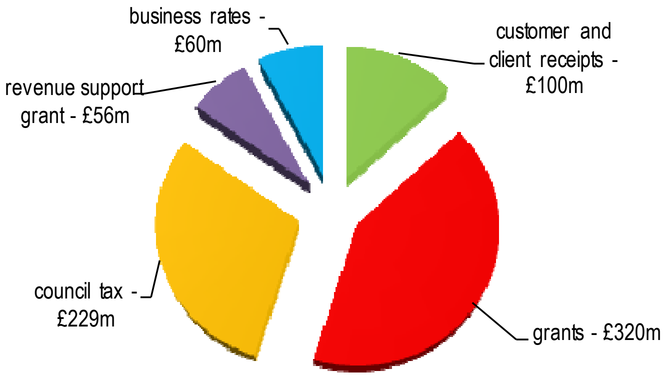
We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Our capital spending relates to items we have bought and which will be used for more than one year. An amount is charged to our revenue accounts each year to reflect a cost equivalent to the economic use of our assets in that 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 2015/16 and sets out the ways in which this has been spent.

How we received our money

Our total revenue income in 2015/16 was £765 million. £230 million was used by schools, £530 million was used to fund our services and the balance of £5 million has been set aside for use in future years.

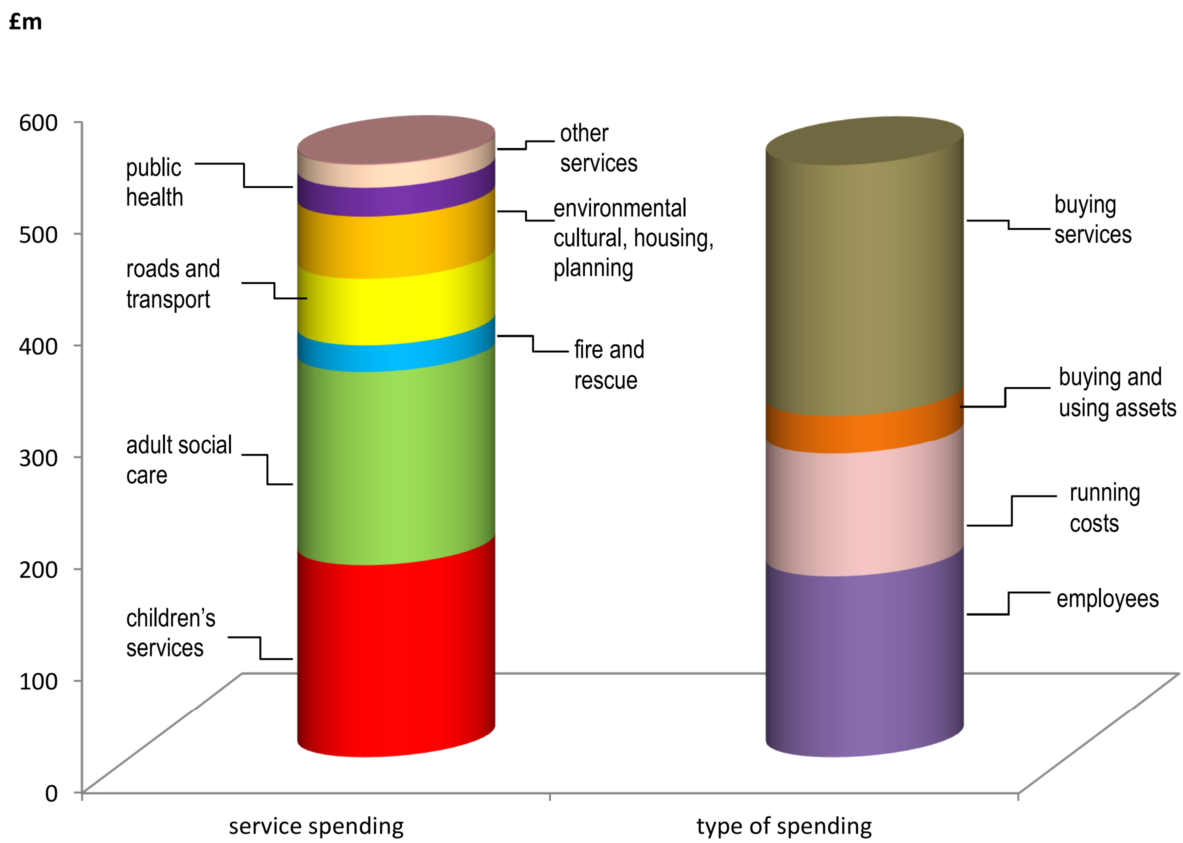


The main sources of revenue income received in 2015/16 to support the revenue budget of our services are shown in the chart on the left.

This income is from council tax (30%) and our share of business rates (8%), with 49% from government grant and 13% from customer and client receipts.

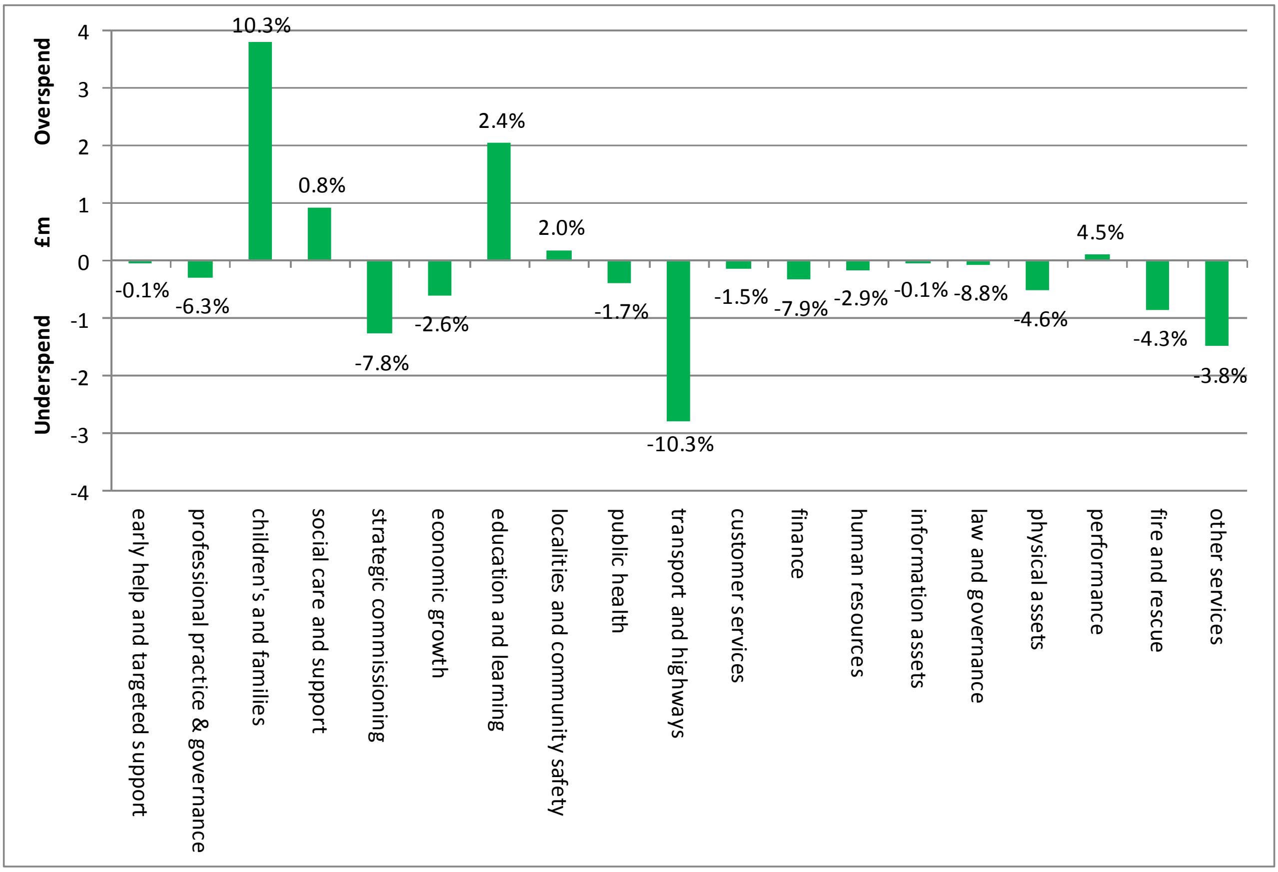
What we have spent

We have spent £530 million of our revenue income to finance the various services we provide (excluding schools), as illustrated in the chart below. The £530 million, schools spending (£230 million) and net technical adjustments that are not part of our management accounts of £13 million make up the gross cost of services



Revenue spending compared to our plans

The chart below sets out our financial performance, by Business Unit, in 2015/16 compared to the approved budget.



The key features of our financial performance in 2015/16 are:

- We planned to use £4 million of our reserves to support the delivery of services in 2015/16
- Services spent £2 million less than their cash-limited budget, combined with the underspend in schools and additional government grants (£7 million) we were able to increase our reserves by £5 million.
- This funding is available to support investment and the delivery of savings over a longer period. Our current plans are outlined in the Medium Term Outlook section of this narrative report.

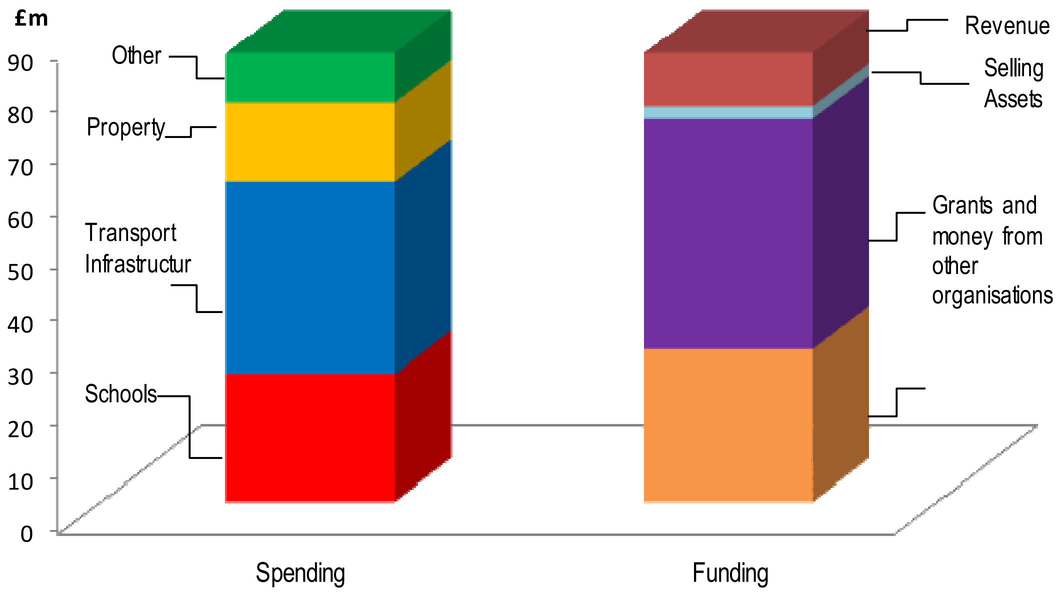
Savings and efficiencies

2015/16 was the second year of our four-year One Organisational Plan. Implementation of this plan requires savings of £69 million to be delivered, of which £30 million had been delivered by the end of 2015/16. £39 million 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.

At the end of the year we have the equivalent of 4,068 full-time employees. This is a decrease of 90 over the last year.

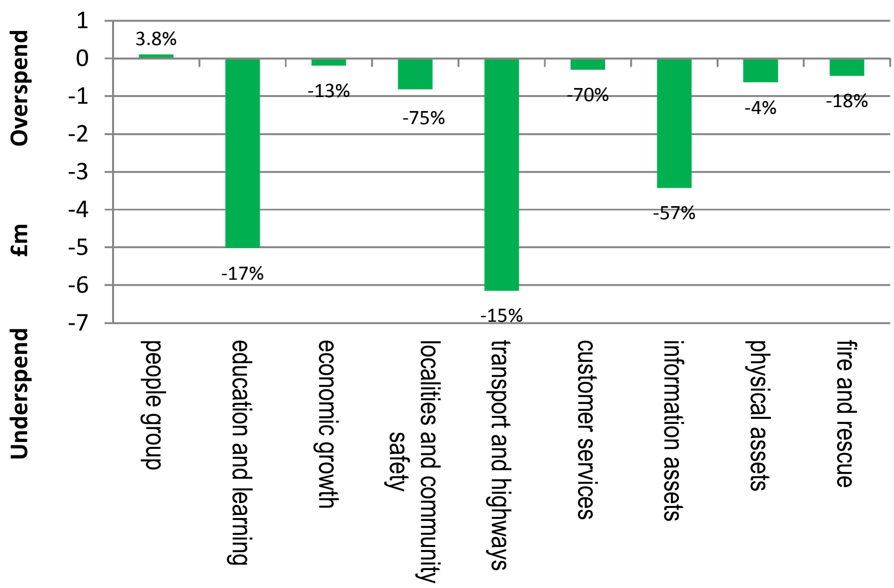
Capital spending

We spent £86 million on the purchase and creation of assets in 2015/16. 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 £14 million less than our estimate of £100 million. This underspend was due to delays on individual projects. Most of this spending now is expected to be incurred in 2016/17.



The chart on the left sets out our capital spend, by Business Unit, in 2015/16 compared to the approved budget.

Our financial performance is monitored by Cabinet through the quarterly One Organisational Plan Progress report, which combines financial reporting with performance and risk reporting. You can get more information on our overall 2015/16 revenue and capital spending and the delivery of our planned savings in the end-of-year One Organisational Plan Progress report to Cabinet on 4 July 2016.
(https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx)

The value of our assets

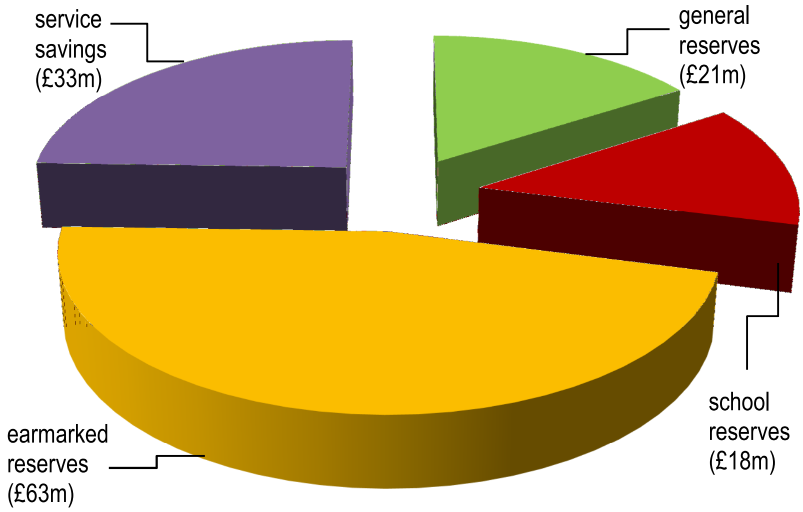
The value of our Property, Plant and Equipment assets has decreased from £1,264 million to £1,260 million. The main reasons for the £4 million decrease in the value of our assets during 2015/16 are:

- Schools valued at £20 million transferring to academy status during 2015/16, resulting in them no longer being part of our asset base;
- The sale of assets valued at £2 million as part of our on-going property rationalisation programme;
- £69 million investment in assets that we own; and
- A charge for the use of assets during the year of £48 million.

Next year our accounts will include a new way of measuring the value of our transport infrastructure assets. It is estimated this mandated change will increase the value of our assets by £7.4 billion (not yet subject to audit). As part of the change a new category of assets, to be called Highways Network Assets will be included in our Balance Sheet.

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 2016 our usable revenue reserves are £135 million. A breakdown is shown in the chart on the left. £22 million of these reserves are planned to be used to support the budget in 2016/17.

Pensions

At 31 March 2016 our pensions' liability was £681 million, a decrease of £146 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 means 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 2015/16 are:

- Whilst the average rate that financial institutions lend money to each other (LIBID) was 0.36% during 2015/16 our treasury management activity generated average interest on investments of 1.01%;
- 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 £353 million at 31 March 2016 compared to £378 million at 31 March 2015; and
- At 31 March 2016 we are holding £169 million of cash or cash equivalents, an increase of £21 million from the previous year.

Delivery of the 2014-18 One Organisation Plan

In February 2014 we agreed our 2014-18 One Organisation Plan that outlined our proposals to 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.

Overall, at the end of the second year of the 2014-18 One Organisation Plan we are not on target to deliver our high level outcomes by 2018. Two are on course to be achieved by 2018. Further details are shown below.

	Our communities & individuals are safe and protected from harm and are able to remain independent for longer	Our vulnerable individuals are safe, protected from harm and independent for longer	R
		Our children live in safe and supportive families	
		Our communities and individuals are encouraged to help themselves and feel safe and secure	
		Our voluntary sector provides a strong offer of targeted support	

	The health & wellbeing of all in Warwickshire is protected	Improved health and well-being for everyone	R
		Our residents have choice and exercise maximum control over their health and social care regardless of where they live	
		Our residents are happy and have good levels of mental and physical health	
		Young people understand the choices available to lead healthy lives	
		Our residents enjoy an enhanced quality of life	

	Our economy is vibrant, residents have access to jobs, training & skills development	Warwickshire is the business centre of choice for the region	R
		Our economy provides quality jobs and unlocks entrepreneurship	
		Our young people are supported to meet their needs and aspirations	
		Our residents learn throughout their lives, are skilled and ready for employment and fulfil their potential	

	Warwickshire's communities are supported by excellent communications and transport infrastructure	Our planning infrastructure delivers strategic solutions for partners and ourselves	A
		Our integrated sustainable transport networks are fit for the future and meet the needs of residents and businesses	
		The digital divide in Warwickshire is addressed and opportunities from new technologies are maximised	

	Resources and services are targeted effectively and efficiently whether delivered by the local authority, commissioned or in partnership	The council's budget remains balanced and resources and managed effectively	A
		High quality needs based public services are deployed effectively and efficiently no matter how they are provided	
		Customers access information through multiple channels and demand for council services is effectively managed	
		Our staff are highly skilled and supported	
		Risk and change is managed effectively	

Management of Risk

The successful delivery of the 2014-18 Plan and our sustainability into the future are dependent on our ability to manage and respond to the risks we face. We have only one net 'red' risk which is "Safeguarding children and vulnerable adults in our community and our inability to take action to avoid abuse, injury or death". Due to its nature this risk will always remain and does not indicate that performance is poor in this area.

We have a number of other significant risks which are actively managed and will remain critical to our planning for the future. These risks are:

- Continuing pressure on adult social care and health services
- Coventry and Warwickshire LEP and regional partnership working failing to deliver optimum economic benefits
- The inability to sustain risk critical fire and rescue functions
- Ensuring sufficient provision of school places across the county
- The inability to manage or influence the impact of HS2 on Warwickshire
- Meeting statutory requirements to drive improvements across all schools in the county
- The pressure to manage increasing levels of household waste
- The availability of funding to meet expectations for transport infrastructure investment, and
- An inability to maintain critical services during disruptions

Medium Term Outlook

We put in place a budget and medium term financial plan within which the 2014-18 One Organisation Plan will be delivered. The 2015/16 outturn does not require any changes to this plan. The 2014-18 Plan constituted a robust financial position for the organisation, allowing a more focussed and planned approach to prioritisation with services' able to focus on delivery knowing the financial environment within which they were be required to operate.

We intend to continue with this approach even though we now face a fundamentally different financial landscape. Our 2016/17 budget is balanced but we are using reserves to achieve this and it is unlikely sufficient additional reserves can be identified that will enable the 2014-18 One Organisation Plan savings plan to continue largely unchanged until the end of 2017/18. We also know that the period of austerity for public services will continue until 2020. This means we have to start planning now for further savings in 2017/18 onwards and that we are looking at reductions of up to £60 million in what we would otherwise be looking to spend over the period.

We know this means significant challenges for the organisation, beyond those that we have already faced. Such a fundamental shift in our capacity and the capacity of public services more generally will take time to deliver. It will require investment and a broad engagement with all those affected. This means we will have to become a very different organisation post 2016.

We have begun work to see how we can balance the budget over the medium term and secure growth. Our key considerations are:

- The potential offered by the additional 2% council tax we are able to levy each year to fund adult social care levy and the effect of moves towards greater integration with health
- Working with other local and national bodies to deliver growth and economic prosperity for Warwickshire so we can maximise the benefit from the proposal that by 2021 local authorities will retain 100% of business rate revenues.
- Providing us with the resources needed to support the most vulnerable members of our community.
- Ensuring our services are responsive to the changing requirements and needs of our schools and children.
- Reviewing opportunities to both invest-to-save and invest-to-grow the local economy (where this results in an increased business rate take) linked to our ability to borrow.
- An acknowledgement that any proposed changes needed to be consistent with any changes to the delivery of services at a national level, (for example, in relation to any government proposals for blue light services).

We will be consulting on the priorities and possible savings plans for 2017-20 in the autumn, with a view to a revised plan through to 2020 being approved in February 2017 as part of setting the 2017/18 budget.

Content and Format of the Statement of Accounts

Core Financial Statements

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

Comprehensive Income and Expenditure Statement	Balance Sheet
An accounting deficit of £32.2 million for 2015/16 has been reported; the outturn position is an £5.2 million surplus. *This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, impairment and pensions charges.*	**An increase of £142.2 million in County Council's net assets as at 31 March 2016.** *The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2016 the County Council's net worth was £442.8 million.*
Cash Flow Statement	**Movement in Reserves Statement**
A net cash inflow of £21.3 million in 2015/16 in cash or cash equivalents. *This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.*	**A decrease of £0.5 million in County Council usable reserves.** *This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.*

Statement of accounting policies
This summarises the accounting rules and conventions we have used in preparing these financial statements. It reflects a change of accounting policy in relation to the fair value of financial assets and liabilities under the IFRS 13 accounting standard.

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.

John Betts
Head of Finance

Movement in Reserves Statement

Movement in Reserves Statement - 2015/16	**General Fund** £ m	**Earmarked Reserves** £ m	**Capital Fund** £ m	**Capital Receipts Reserve** £ m	**Capital Grants Unapplied** £ m	**Total Usable Reserves** £ m	**Unusable Reserves** £ m	**Total Authority Reserves** £ m
Balance at 31 March 2015	**18.8**	**109.6**	**1.0**	**0.0**	**6.9**	**136.3**	**164.3**	**300.6**
Movement In Reserves During 2015/16								
Surplus or deficit (-) on provision of services (accounting basis)	-32.2	0.0	0.0	0.0	0.0	**-32.2**	0.0	**-32.2**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	0.0	**0.0**	174.4	**174.4**
Total Comprehensive Income and Expenditure	**-32.2**	**0.0**	**0.0**	**0.0**	**0.0**	**-32.2**	**174.4**	**142.2**
Adjustments between accounting basis & funding basis under regulations (note 1)	37.4	0.0	0.0	0.0	-5.7	**31.7**	-31.7	**0.0**
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**5.2**	**0.0**	**0.0**	**0.0**	**-5.7**	**-0.5**	**142.7**	**142.2**
Transfers to / from (-) Earmarked Reserves (note 2)	-2.6	2.8	-0.2	0.0	0.0	**0.0**	0.0	**0.0**
Increase / Decrease (-) in Year	**2.6**	**2.8**	**-0.2**	**0.0**	**-5.7**	**-0.5**	**142.7**	**142.2**
Balance at 31 March 2016	**21.4**	**112.4**	**0.8**	**0.0**	**1.2**	**135.8**	**307.0**	**442.8**

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

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

Comprehensive Income and Expenditure Statement

This section summarises our spending on services and where we got the money from.

2014/15				2015/16		
Gross expenditure £m	**Gross income £m**	**Net expenditure £m**	**Summary of revenue spending**	**Gross expenditure £m**	**Gross income £m**	**Net expenditure £m**
			Money spent on services			
9.6	-1.5	8.1	~ cultural and related services	10.1	-1.6	8.5
25.7	-4.6	21.1	~ environmental and regulatory services	27.5	-5.0	22.5
13.6	-9.0	4.6	~ planning services	13.1	-3.4	9.7
411.2	-293.8	117.4	~ children's and education services	418.5	-292.2	126.3
28.3	-0.4	27.9	~ fire and rescue services	26.7	-0.8	25.9
56.7	-11.8	44.9	~ highways and transport services	57.3	-13.7	43.6
166.0	-33.8	132.2	~ adult social care	176.9	-45.6	131.3
25.8	-22.6	3.2	~ public health	26.0	-22.2	3.8
9.7	-0.3	9.4	~ housing services	9.5	-0.3	9.2
5.3	-4.7	0.6	~ central services to the public	6.3	-5.4	0.9
7.4	-0.3	7.1	~ corporate and democratic core	6.6	-0.2	6.4
-10.9	0.0	-10.9	~ non distributed costs	-5.9	0.0	-5.9
748.4	**-382.8**	**365.6**	**Net cost of services (total continuing services)**	**772.6**	**-390.4**	**382.2**
16.8	0.0	16.8	~ Other operating expenditure (note 4)	19.2	0.0	19.2
59.2	-21.0	38.2	~ Financing and investment income and expenditure (note 5)	59.4	-28.6	30.8
0.0	-437.4	-437.4	~ Taxation and non-specific grant income and expenditure (note 6)	0.0	-400.0	-400.0
824.4	**-841.2**	**-16.8**	**Surplus (-) or deficit on the provision of services**	**851.2**	**-819.0**	**32.2**
			Items that will not be reclassified to the surplus(-)/deficit on the provision of services			
1.9		1.9	~ Surplus (-) or deficit on revaluation of property, plant and equipment	-0.4		-0.4
-2.6		-2.6	~ Surplus or deficit on revaluation of available for sale financial assets	0.5		0.5
144.8		144.8	~ Remeasurements of the net defined benefit liability/(asset)	-174.5		-174.5
144.1	**0.0**	**144.1**	**Other comprehensive income and expenditure**	**-174.4**	**0.0**	**-174.4**
968.5	**-841.2**	**127.3**	**Total comprehensive income and expenditure (note 3)**	**676.8**	**-819.0**	**-142.2**

Balance Sheet as at 31 March 2016

2015 £ m	Balance Sheet as at 31 March	2016 £ m	Notes
1,264.2	Property, plant and equipment	1,260.2	8
29.2	Investment property	40.4	11
4.0	Heritage assets	4.0	10
1.9	Intangible assets	1.4	12
0.3	Long-term investments	0.5	
1,299.6	**Total long-term assets**	**1,306.5**	
	Current assets		
118.5	Short-term investments	81.9	
0.6	Inventories	0.7	
49.4	Short-term debtors	49.2	14
147.9	Cash and cash equivalents	169.2	15
0.0	Assets held for sale	0.8	16
316.4	Total current assets	301.8	
	Current liabilities		
-4.7	Provisions (settlement within 12 months)	-6.2	18
-5.1	Short-term borrowing	-25.0	37
-84.2	Short-term creditors	-73.1	17
-0.4	Grants received in advance - revenue	-0.1	24
-94.4	Total current liabilities	-104.4	
222.0	**Current assets less current liabilities**	**197.4**	
-2.5	Provisions (settlement over 12 months)	-2.5	18
-378.4	Long-term borrowing	-353.4	37
-12.7	Capital grants received in advance	-23.8	24
	Other long-term liabilities		
-827.4	~ Liability related to defined benefit pension scheme	-681.4	20
-1,221.0	**Long-term liabilities**	**-1,061.1**	
300.6	**Net assets**	**442.8**	
136.3	Usable reserves	135.8	19
164.3	Unusable reserves	307.0	20
300.6	**Total reserves**	**442.8**	

John Betts
Head of Finance
22 September 2016

Cash Flow Statement

Year ended 31 March 2015 £ m	Cash Flow Statement	Year ended 31 March 2016 £ m
32.3	Operating activities (note 21)	20.2
-33.9	Investing activities (note 22)	6.2
-2.7	Financing activities (note 23)	-5.1
-4.3	**Net increase or decrease in cash and cash equivalents**	**21.3**

Year ended 31 March 2015 £ m	Reconciliation to movement in cash and cash equivalents	Year ended 31 March 2016 £ m
152.2	Cash and cash equivalents at the beginning of the reporting period	147.9
147.9	Cash and cash equivalents at the end of the reporting period	169.2
-4.3	**Movement in cash and cash equivalents**	**21.3**

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 2015/16 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). We value these at the lower of current value, based on their existing use, or fair value, based on their highest and best use. 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 59. 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 59. 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 page 64.

Events after the Balance Sheet date

We 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.

Fair value

We value our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2015/16 fair value affects only non-operational property, plant and equipment classified as surplus assets and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates and reducing subjective or uncertain valuations.

We assess the level of uncertainty in our valuations by assigning our assets into three categories:-

~ Level 1 – quoted prices of identical assets or liabilities;
~ Level 2 – inputs other than quoted prices that are observable, either directly or indirectly;
~ Level 3 – unobservable inputs.

These are shown in notes 8, 11, 13 and 16 on pages 41, 42, 43 and 47 respectively.

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 de-recognition 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 Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records and are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any revaluations would not have a material impact on the accounts. Operational heritage assets, which are used in the provision of services or for other activities, are accounted for under other assets classes elsewhere in the Balance Sheet. Heritage assets classified as community or other assets are valued at insurance cost unless our valuers believe conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve. More detailed information on the heritage assets we hold is available on our web-site 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. We use up to 4% of a capital receipt 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 or both. 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 based on their highest and best use. For investment property, fair value is the price that would be received to sell the property in an orderly transaction between market participants at the measurement date. 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 2015/16 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 2016 were valued in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current 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 are not used by us in our day to day work and are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use.
- The valuation of assets held for sale is disclosed in the accounting policy on assets held for sale on page 24.
- The valuation of investment properties is disclosed in the accounting policy on investment properties on page 28.
- 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 27.

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.

The estimated useful economic lives of our land and buildings, as at 31 March 2014, was assessed by our valuers as part of the revaluation of these assets. These estimates are reflected in the depreciation charges for 2015/16.

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, to protect us against unexpected events and to manage the financial risk of the uncertainty we face. 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 20 to the accounts on page 48.
- 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.

Schools and schools assets

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all 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. School assets are derecognised in full on the date that a school transfers to academy status.

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 - 2015/16	General Fund Balance £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
~ Charges for depreciation of non-current assets	47.5			-47.5
~ Revaluation losses on property, plant and equipment assets	5.9			-5.9
~ Movements in the market value of investment properties	-11.8			11.8
~ Amortisation of intangible assets	0.6			-0.6
~ Capital grants and contributions applied	-43.9			43.9
~ Revenue expenditure funded from capital under statute	15.1			-15.1
~ Amounts of non-current assets written off on disposal to the CIES	21.2			-21.2
Insertion of items not debited or credited to the CIES				
~ Statutory provision for the repayment of debt	-15.0			15.0
~ Capital expenditure charged to the General Fund Balance	-10.3			10.3
Adjustments primarily involving the Capital Grants Unapplied Account				
~ Capital Grants and contributions unapplied credited to the CIES	4.0		-4.0	0.0
~ Application of Grants to capital financing transferred to Capital Adjustment Account	1.1		-1.1	0.0
Adjustments primarily involving the Capital Receipts Reserve				
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-1.9	2.5	-0.6	0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure		-2.4		2.4
~ Contribution from Capital Receipts Reserve to administrative costs of non- current asset disposals	0.1	-0.1		0.0
Adjustments primarily involving the Financial Instruments Adjustment Account				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1			-0.1
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire-fighters pension liabilities	-5.1			5.1
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	72.5			-72.5
~ Employers pensions contributions and direct payments to pensioners payable in the year	-38.9			38.9
Adjustments primarily involving the Collection Fund Adjustment Account				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.1			-0.1
~ 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	0.4			-0.4
Adjustment primarily involving the Accumulated Absences Account				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-4.3			4.3
Total adjustments	**37.4**	**0.0**	**-5.7**	**-31.7**

Adjustments between accounting basis and funding basis under regulations - 2014/15	General Fund Balance £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
~ Charges for depreciation of non-current assets	38.0			-38.0
~ Revaluation losses on property, plant and equipment non-current assets	0.6			-0.6
~ Prior period adjustments revaluations 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
Insertion of items not debited or credited to the CIES				
~ Statutory provision for the repayment of debt	-15.9			15.9
~ Capital expenditure charged to the General Fund Balance	-7.2			7.2
Adjustments primarily involving the Capital Grants Unapplied Account				
~ 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
Adjustments primarily involving the Capital Receipts Reserve				
~ 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
Adjustments primarily involving the Financial Instruments Adjustment Account				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1			-0.1
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire-fighters pension liabilities	-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
Adjustments primarily involving the Collection Fund Adjustment Account				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.4			-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
Adjustment primarily involving the Accumulated Absences Account				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-0.1			0.1
Total adjustments	**-5.2**	**0.0**	**-0.4**	**5.6**

Note 2: Transfers to/from earmarked reserves

Movement in earmarked reserves (restated)	Balance at 1 April 2014 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2015 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2016 £ m
Schools Balances (under a scheme of delegation)	17.5	-3.1	0.0	14.4	0.0	3.2	17.6
Insurance Fund	9.0	-0.7	0.2	8.5	0.0	0.0	8.5
DSG Reserve	1.2	-1.2	0.0	0.0	0.0	0.0	0.0
IT for Schools	0.0	-0.2	0.0	-0.2	0.0	0.1	-0.1
PFI Credits Reserve	0.2	-0.2	0.0	0.0	0.0	0.0	0.0
NNDR Appeals Reserve	1.0	0.0	0.0	1.0	0.0	0.0	1.0
NNDR Pool Reserve	-0.5	0.0	0.4	-0.1	0.0	0.4	0.3
Service Realignment Fund	11.3	0.0	0.6	11.9	0.0	0.8	12.7
Capacity Building Fund	1.4	0.0	0.0	1.4	0.0	0.0	1.4
Elections Reserve	0.0	0.0	0.2	0.2	0.0	0.3	0.5
Medium Term Contingency	13.3	0.0	7.2	20.5	-3.2	0.0	17.3
Social Care Support Savings	7.8	0.0	3.5	11.3	-1.7	0.0	9.6
Strategic Commissing Savings	8.0	-3.2	0.0	4.8	-0.2	1.2	5.8
Other Business Unit savings and earmarked reserves (net movement)	28.3	0.0	7.6	35.9	0.0	1.9	37.8
Total	**98.5**	**-8.6**	**19.7**	**109.6**	**-5.1**	**7.9**	**112.4**

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.

Note 3: Significant items of income and expenditure and restatements of prior year figures

The Comprehensive Income and Expenditure Statement in 2015/16 is showing a surplus of £142.2 million compared to a deficit of £127.3 million in 2014/15. The main reason for this is that we have a reduction in the pensions liability as at 31 March resulting from a gain in the remeasurements of the net defined benefit liability. This is largely as a result of the rise in the net interest rate used in the pension costs disclosures by our Actuary. This gain is partly offset by a reduction in the capital grants and contributions and revenue support grant shown in the taxation and non-specific grant income line in the Comprehensive Income and Expenditure Statement (see note 6 on page 35).

There has been no significant restatement of prior year figures.

Note 4: Other operating expenditure

2014/15 £ m	Other operating expenditure	2015/16 £ m
0.2	Levies - Environment Agency Levy	0.2
16.6	Losses on disposal/transfer of non-current assets	19.0
16.8		**19.2**

Note 5: Financing and investment income and expenditure

2014/15 £ m	Financing and investment income and expenditure	2015/16 £ m
18.9	Interest payable and similar charges	18.6
28.1	Net interest on the net defined benefit liability (asset)	26.4
-2.7	Interest receivable and similar income	-3.2
-12.3	Trading account income	-13.4
12.0	Trading account expenditure	14.0
-5.8	Income and expenditure on investment properties and changes in their fair value	-11.8
0.2	Other investment expenditure	0.4
-0.2	Other investment income	-0.2
38.2		**30.8**

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

2014/15 £ m	Taxation and Non Specific Grant Incomes	2015/16 £ m
221.4	Council tax income	229.3
	Non domestic rates income and expenditure	
34.5	~ Retained business rates	35.1
22.8	~ Business rates top up	23.6
0.1	Business rates pool growth (WCC share)	0.3
0.0	Business rates pool surplus	0.3
73.4	Revenue Support Grant	56.1
	Other non-ringfenced Government grants	
4.7	~ Fire Pensions Fund Grant (gain)	5.1
25.5	~ Revenue grants	15.8
55.0	~ Capital grants and contributions	34.4
437.4		**400.0**

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.

Segmental reporting analysis 2015/16	People Group £ m	Communities Group £ m	Fire and Rescue Service £ m	Resources Group £ m	Other Services £ m	Schools £ m	Total £ m
Fees, charges and other service income	-36.6	-29.6	-0.4	-15.1	0.2	-15.1	-96.6
Government grants	-3.4	-4.5	-0.4	-0.2	-163.3	-262.8	-434.6
Interest and investment income	0.0	0.0	0.0	0.0	-3.2	0.0	-3.2
Total income	-40.0	-34.1	-0.8	-15.3	-166.3	-277.9	-534.4
Employee expenses	50.1	46.3	16.3	47.7	2.1	171.5	334.0
Other service expenses	184.3	173.3	5.4	13.6	38.6	58.0	473.2
Support service recharges	15.9	12.4	2.6	-34.6	3.8	0.0	0.1
Total operating expenses	250.3	232.0	24.3	26.7	44.5	229.5	807.3
Cost of services	**210.3**	**197.9**	**23.5**	**11.4**	**-121.8**	**-48.4**	**272.9**

Segmental reporting analysis 2014/15	People Group £ m	Communities Group £ m	Fire and Rescue Service £ m	Resources Group £ m	Other Services £ m	Schools £ m	Total £ m
Fees, charges and other service income	-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
Total income	-38.5	-32.6	-0.4	-14.1	-179.6	-284.2	-549.4
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
Total operating expenses	238.4	225.9	23.7	28.2	43.7	238.7	798.6
Cost of services	**199.9**	**193.3**	**23.3**	**14.1**	**-135.9**	**-45.5**	**249.2**

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.

2014/15 £ m	Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	2015/16 £ m
249.2	Cost of services in service analysis	272.9
-1.1	Add amounts not reported to management	19.5
117.5	Remove amounts reported to management not included in CIES	89.8
365.6	**Net cost of services in CIES**	**382.2**

Reconciliation to subjective analysis - 2015/16	Service analysis £ m	Not reported to management £ m	Not included in CIES £ m	Net cost of services £ m	Corporate amounts £ m	Total £ m
Fees, charges and other service income	-96.6	0.0	13.6	-83.0	-13.6	-96.6
Government grants and contributions	-434.6	-4.5	131.7	-307.4	-170.7	-478.1
Interest and investment income	-3.2	0.0	3.2	0.0	-15.0	-15.0
Income from council tax	0.0	0.0	0.0	0.0	-229.3	-229.3
Total income	**-534.4**	**-4.5**	**148.5**	**-390.4**	**-428.6**	**-819.0**
Employee expenses	334.0	2.9	0.0	336.9	0.0	336.9
Other service expenses	473.2	15.1	-58.7	429.6	40.8	470.4
Support service recharges	0.1	0.0	0.0	0.1	0.0	0.1
Impairment and revaluation losses	0.0	6.0	0.0	6.0	0.0	6.0
Interest payments	0.0	0.0	0.0	0.0	18.6	18.6
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	19.0	19.0
Total operating expenses	**807.3**	**24.0**	**-58.7**	**772.6**	**78.6**	**851.2**
Surplus (-)/deficit on the provision of services	**272.9**	**19.5**	**89.8**	**382.2**	**-350.0**	**32.2**

Reconciliation to subjective analysis - 2014/15	Service analysis £ m	Not reported to management £ m	Not included in CIES £ m	Net cost of services £ m	Corporate amounts £ m	Total £ m
Fees, charges and other service income	-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
Total income	**-549.4**	**-5.5**	**172.1**	**-382.8**	**-458.4**	**-841.2**
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
Total operating expenses	**798.6**	**4.4**	**-54.6**	**748.4**	**76.0**	**824.4**
Surplus (-)/deficit on the provision of services	**249.2**	**-1.1**	**117.5**	**365.6**	**-382.4**	**-16.8**

Note 8: Property, plant and equipment

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2015	862.2	2.5	58.3	497.4	3.4	25.8	1,449.6
Depreciation balance at 1 April 2015	-13.9	-0.1	-39.9	-131.4	-0.1	0.0	-185.4
Net book value at 1 April 2015	**848.3**	**2.4**	**18.4**	**366.0**	**3.3**	**25.8**	**1,264.2**
Changes in the year							
~ opening balance adjustment	-1.2	0.0	-5.2	-0.7	0.0	-3.5	-10.6
~ reclassifications	3.4	-0.6	0.0	0.0	0.0	1.8	4.6
~ spending on assets	16.2	0.0	3.2	12.5	0.0	37.0	68.9
~ transfer of assets under construction to operational assets on project completion	6.6	0.0	0.3	1.6	0.0	-8.4	0.1
~ value of assets we have sold/transferred	-20.4	0.0	-0.9	0.0	0.0	-0.3	-21.6
~ changes in the value of assets: revaluation	-10.2	0.9	0.0	0.0	0.0	0.0	-9.3
~ reversal of prior year impairments and revaluation losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ impairments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation							
~ opening balance adjustment	0.0	0.0	5.5	0.0	0.0	0.0	5.5
~ reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	4.2	0.1	0.0	0.0	0.0	0.0	4.3
~ depreciation written off on disposal	0.8	0.0	0.8	0.0	0.0	0.0	1.6
~ depreciation	-23.8	0.0	-7.0	-16.6	-0.1	0.0	-47.5
Net book value at 31 March 2016	**823.9**	**2.8**	**15.1**	**362.8**	**3.2**	**52.4**	**1,260.2**
Gross book value at 31 March 2016	856.6	2.8	55.7	510.8	3.4	52.4	1,481.7
Depreciation balance at 31 March 2016	-32.7	0.0	-40.6	-148.0	-0.2	0.0	-221.5
Net book value at 31 March 2016	**823.9**	**2.8**	**15.1**	**362.8**	**3.2**	**52.4**	**1,260.2**

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

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 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
Net book value at 1 April 2014	**859.4**	**3.7**	**21.1**	**352.6**	**3.3**	**21.2**	**1,261.3**
Changes in the year							
~ 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 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
Depreciation							
~ 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
Net book value at 31 March 2015	**848.3**	**2.4**	**18.4**	**366.0**	**3.3**	**25.8**	**1,264.2**
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
Net book value at 31 March 2015	**848.3**	**2.4**	**18.4**	**366.0**	**3.3**	**25.8**	**1,264.2**

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

Depreciation – see accounting policies on page 30.

Capital commitments

At 31 March 2016, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2016/17 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 £7.9 million. Similar commitments at 31 March 2015 were £26.7 million.

The three largest outstanding commitments are as follows:

1. Kenilworth Station - £7.0 million
2. St Michael's CE Primary School, Bedworth – £0.7 million
3. Client Information System for Social Care - £0.2 million

Effects of changes in estimates

There have been no material changes to our accounting estimates for property, plant and equipment in 2015/16.

Fair Value Measurement

Under IFRS 13 the valuation techniques and assumptions for all assets classifications except investment property, surplus assets and assets held for sale remain unchanged. The table below shows the fair value of these classes of assets. IFRS 13 applies from 1 April 2015 and has been applied prospectively in accordance with the Code so there are no comparatives this year.

Fixed Assets - Fair value 31 March 2016	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Investment Properties	5.5	34.8	0.1	40.4
Surplus Assets	0.0	2.8	0.0	2.8
Other - Assets Held for Sale	0.8	0.0	0.0	0.8
Total	**6.3**	**37.6**	**0.1**	**44.0**

Revaluations

We carry out a programme of revaluations that ensures all property, plant and equipment required to be measured at fair value for the asset type is revalued at least every five years. This is in line with our revaluation policies on page 29. The table below shows the date at which our property, plant and equipment assets were last valued.

Revaluations	Land and buildings £ m	Surplus Assets £ m	Vehicles, machinery, furniture and equipment £ m	Roands and bridges £ m	Country parks and open spaces £ m	Assets under construction £ m	Total £ m
Carried at historical cost			**15.1**	**362.8**	**3.2**	**52.4**	**433.5**
Valued at current value as at:							
31st March 2016	90.7	2.8					**93.5**
31st March 2015	391.7						**391.7**
31st March 2014	345.5						**345.4**
Total cost or valuation	**827.9**	**2.8**	**15.1**	**362.8**	**3.2**	**52.4**	**1,264.2**

Our internal RICS qualified valuers have determined that these demonstrate fair value for the asset class. In reaching this judgement a combination of indexation techniques, beacon valuations and discounted cash flow models have been used. For those assets that have not been revalued in the current year there have been minimal changes in land values and the majority of the assets in this category are schools as demonstrated in note 9.

Note 9: School property, plant and equipment

The value of our school property, plant and equipment is £692.6 million (2014/15 - £715.3 million). The table below shows a breakdown across the various types of school.

School Property, plant and equipment At 31 March 2016	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	186.6	181.1	4.5	372.2	92
Voluntary Aided Schools	75.3	69.2	0.0	144.5	36
Voluntary Controlled Schools	69.1	64.1	0.0	133.2	43
Foundation Schools	24.6	18.1	0.0	42.7	8
Net book value at 31 March 2016	**355.6**	**332.5**	**4.5**	**692.6**	**179**

School Property, plant and equipment At 31 March 2015	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	193.7	185.8	4.4	383.9	95
Voluntary Aided Schools	73.1	75.3	0.0	148.4	38
Voluntary Controlled Schools	71.8	68.3	0.0	140.1	44
Foundation Schools	24.7	18.3	0.0	43.0	8
Net book value at 31 March 2015	**363.3**	**347.7**	**4.4**	**715.3**	**185**

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.

Note 10: Heritage assets

The net book value of the heritage assets we hold is £4.0 million (£4.0m in 2014/15). There have been no significant acquisitions during 2015/16 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 27. More detailed information about the specific heritage assets we hold is on our web-site 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 2015 £ m	Investment properties	31 March 2016 £ m
0.0	Direct net operating expense arising from investment property	0.4
0.0	**Net gain/loss (-)**	**0.4**

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

31 March 2015 £ m	Investment properties	31 March 2016 £ m
25.5	Balance at the start of the year	29.2
0.7	Opening balance adjustment	4.5
-3.9	Reclassifications	-5.4
1.2	Additions	1.7
-0.1	Disposals	-1.4
5.8	Net gains/losses (-) from fair value adjustments	11.8
29.2	**Balance at the end of the year**	**40.4**

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 2015/16 (£nil in 2014/15). 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). The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.6 million charged to revenue in 2015/16 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 2014/15 £ m	Intangible assets	Software licences we have bought 2015/16 £ m
3.7	Gross book Value at 1 April	4.3
-2.0	Amortisation balance at 1 April	-2.4
1.7	**Net book value at 1 April**	**1.9**
	Changes in the year	
0.1	~ Opening Balance Adjustment	-0.5
0.0	~ Spending on assets	0.1
0.5	~ Transfer from work in progress to complete	0.0
0.0	~ Value of assets we have sold	0.0
	Amortisation	
0.1	~ Opening balance adjustment	0.5
0.0	~ Amortisation written off on disposal	0.0
-0.5	~ Amortisation	-0.6
1.9	**Net book value at 31 March**	**1.4**
4.3	Gross book Value at 31 March	3.9
-2.4	Amortisation balance at 31 March	-2.5
1.9	**Net book value at 31 March**	**1.4**

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 2015			31 March 2016		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Financial Assets						
Investments:						
~ Loans and receivables	71.0	0.0	71.0	30.1	0.0	30.1
~ Available-for-sale financial assets	0.0	0.3	0.3	0.0	0.5	0.5
~ Financial assets at fair value through profit and loss	47.5	0.0	47.5	51.8	0.0	51.8
Total investments	**118.5**	**0.3**	**118.8**	**81.9**	**0.5**	**82.4**
Debtors:						
~ Financial assets carried at contract amounts	30.1	0.0	30.1	32.6	0.0	32.6
Total Debtors	**30.1**	**0.0**	**30.1**	**32.6**	**0.0**	**32.6**
Cash:						
~ Loans and receivables (cash and cash equivalents)	147.9	0.0	147.9	169.2	0.0	169.2
Total Cash	**147.9**	**0.0**	**147.9**	**169.2**	**0.0**	**169.2**
Total Financial assets	**296.5**	**0.3**	**296.8**	**283.7**	**0.5**	**284.2**

Financial Assets and liabilities	31 March 2015			31 March 2016		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Financial Liabilities						
Borrowings:						
~ Financial liabilities at amortised cost	5.1	378.4	383.5	25.0	353.4	378.4
Total Borrowings	**5.1**	**378.4**	**383.5**	**25.0**	**353.4**	**378.4**
Creditors:						
~ Financial liabilities at contractual amounts	65.4	0.0	65.4	53.0	0.0	53.0
Total	**65.4**	**0.0**	**65.4**	**53.0**	**0.0**	**53.0**
Total Financial Liabilities	**70.5**	**378.4**	**448.9**	**78.0**	**353.4**	**431.4**

Reconciliation to Balance Sheet carrying amounts	2014/15 £m	2015/16 £m
Debtors that are financial instruments	30.1	32.6
Debtors that are not financial instruments	19.3	16.6
Total Debtors	**49.4**	**49.2**
Creditors that are financial instruments	65.4	53.0
Creditors that are not financial instruments	18.8	20.1
Total Creditors	**84.2**	**73.1**

Comparison with Fair Values	2014/15 £m	2015/16 £m
Financial Assets at carrying amount	296.8	284.2
Financial Assets at fair value	296.8	284.2
Effects of fair value	**0.0**	**0.0**
Financial Liabilities at carrying amount	448.9	431.4
Financial Liabilities at fair value	582.7	571.9
Effects of fair value	**133.8**	**140.5**

The valuation of financial instruments has been classified into the three levels required under IFRS13 according to the quality and reliability of the information and techniques used to value them at fair value.

Financial Instruments - Fair value 31 March 2016	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Financial Assets:-				
~ Investments - Loans and receivables (carried at cost plus accrued interest)	0.0	30.1	0.0	30.1
~ Available for sale financial assets	0.0	0.0	0.5	0.5
~ Financial assets at fair value through profit and loss	0.0	51.8	0.0	51.8
Debtors				
- Financial assets carried at contractual amounts (deemed to be fair value)	32.6	0.0	0.0	32.6
Cash:-				
- Loans and receivables (cash and cash equivalents) - deemed to be fair value	127.5	0.0	0.0	127.5
- Loans and receivables (cash and cash equivalents) - carried at cost plus accrued interest	0.0	41.7	0.0	41.7
Total Financial Assets	**160.1**	**123.6**	**0.5**	**284.2**
Financial Liabilities:-				
Borrowings:-				
- Financial liabilities carried at amortised cost	0.0	518.9	0.0	518.9
Creditors:-				
- Financial liabilities carried at contractual amounts (deemed to be fair value)	53.0	0.0	0.0	53.0
Total Financial Liabilities	**53.0**	**518.9**	**0.0**	**571.9**

Interest paid and investment income received	Interest expense in (Surplus)/Deficit on the Provision of Services		Investment income in (Surplus)/Deficit on the Provision of Services		Gain or (loss) on revaluation of financial assets in Other Comprehensive Income and Expenditure	
	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m
~ Financial liabilities at amortised cost	-18.9	-18.6	0.0	0.0	0.0	0.0
~ Financial assets (loans and receivables)	0.0	0.0	2.7	3.2	0.0	0.0
~ Financial assets (at fair value through profit and loss)	0.0	0.0	0.0	0.0	2.5	-0.7
~ Financial assets (available for sale)	0.0	0.0	0.0	0.0	0.1	0.2

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.

We use an external expert to provide the fair values for our borrowings and any financial assets and liabilities that are not deemed to be held at fair value.

Available for sale financial assets are valued internally using the earnings multiple valuation method based on the latest available accounts for the companies in which we hold shares. Where that data is not available they are valued at cost. The total value of these holdings is £0.49 million at 31 March 2016.

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.

There have been no transfers between input levels in 2015/16 and no changes in the valuation techniques for financial instruments during the year.

Note 14: Debtors

31 March 2015 £ m	Short-term debtors	31 March 2016 £ m
5.9	Central Government bodies	1.5
-0.2	~ less bad debts	0.0
4.7	VAT (due to us)	3.8
4.4	Other local authorities	3.3
2.2	Health Service bodies	2.2
0.7	Collection Fund debtors (billing authorities)	0.7
8.4	Council tax debtors	8.5
-2.1	~ less bad debts	-2.2
0.5	Business Rates debtors	0.5
-0.2	~ less bad debts	-0.1
26.0	Other entities and individuals	32.0
-0.9	- less bad debts	-1.0
49.4	**Balance at the end of the year**	**49.2**

Note 15: Cash and cash equivalents

31 March 2015 £ m	Cash and cash equivalents	31 March 2016 £ m
20.9	Cash held by the authority (including schools and imprest accounts)	15.4
105.2	Bank current accounts (call accounts and instant access deposit accounts)	117.2
21.8	Short-term deposits with building societies and other institutions less than 3 months maturity	36.6
147.9	**Total cash and cash equivalents**	**169.2**

Note 16: Assets held for sale

31 March 2015 £ m	Current assets held for sale	31 March 2016 £ m
0.9	Balance outstanding at start of year	0.0
0.0	Assets newly classified as held for sale	0.8
-0.9	Assets sold	0.0
0.0	**Balance outstanding at year end**	**0.8**

The IFRS13 valuations and disclosures of assets held for sale are shown in note 8 on page 39

Note 17: Creditors

31 March 2015 £ m	Creditors	31 March 2016 £ m
9.3	Central Government bodies	8.5
3.8	Other local authorities	3.8
2.5	Health Service bodies	1.9
2.6	Council tax overpayments and prepayments	2.5
0.3	Business rates overpayments and prepayments	0.1
6.5	Accumulated absences accruals (IFRS)	2.1
1.0	Collection Fund amounts owed to billing authorities - council tax	1.1
0.0	Collection Fund amounts owed to billing authorities - business rates	0.1
58.2	Other entities and individuals	53.0
84.2	**Balance at the end of the year**	**73.1**

Note 18: Provisions

Our provisions total £8.7 million (£7.2 million 2014/15).

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. A new valuation list is due to be in place by April 2017, 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 £2.7 million.

We have reassessed the balance of liabilities between the county council and the Firefighters Pension Fund. The details are shown in pages 79 and 80. Some of the final costs are still uncertain and so a provision of £1.6 million has been included.

All other provisions, totalling £2.0 million, are individually insignificant.

Note 19: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement on page 20 and in notes 1 and 2 on pages 32 to 34. A summary of revenue and capital usable reserves is shown below:

31 March 2015 £ m	Usable reserves	31 March 2016 £ m
18.8	General Fund	21.4
109.6	Earmarked Reserves	112.4
1.0	Capital Fund	0.8
0.0	Capital Receipts Reserve	0.0
6.9	Capital Grants Unapplied	1.2
136.3	**Total usable reserves**	**135.8**

Note 20: Unusable Reserves

31 March 2015 £ m	Unusable reserves	31 March 2016 £ m
154.0	Revaluation Reserve	152.9
840.0	Capital Adjustment Account	834.5
0.2	Financial Instruments Adjustment Account	0.1
2.6	Available for Sale Financial Instruments Reserve	2.1
-6.5	Accumulated Absences Reserve	-2.1
1.4	Collection Fund Adjustment Account	0.9
-827.4	Pensions Reserve	-681.4
164.3	**Total unusable reserves**	**307.0**

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.

2014/15 £ m	Movement in the capital reserves and accounts - Revaluation Reserve	2015/16 £ m
173.0	Balance on 1 April	154.0
-0.3	Opening balance adjustments	-2.2
0.0	Revaluation increases	2.6
-1.6	Impairment offsets against Revaluation Reserve	0.0
-6.5	Depreciation adjustment to Revaluation reserve	0.0
-10.6	Value of asset disposals	-1.5
154.0	**Balance on 31 March**	**152.9**

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.

2014/15 £ m	**Movement in the capital reserves and accounts - Capital Adjustment Account**	**2015/16 £ m**
799.0	Balance on 1 April	840.0
1.4	Opening balance adjustments	1.5
3.7	Revaluation decrease	4.3
6.5	Depreciation adjustment to Revaluation Reserve	0.0
-5.9	Value of asset disposals	-17.3
-10.0	Transfer of spending on assets we do not own	-15.1
-15.5	Transfers to and from the revenue account	-22.8
60.8	Money used to buy assets	43.9
840.0	**Balance on 31 March**	**834.5**

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 2015/16.

31 March 2015 £ m	**Financial Instruments Adjustment Account**	**31 March 2016 £ m**
0.3	Balance on 1 April	0.2
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	-0.1
0.2	**Balance on 31 March**	**0.1**

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 2015 £ m	Available for Sale Financial Instruments Reserve	31 March 2016 £ m
0.0	Balance on 1 April	2.6
2.5	Unrealised gains/losses on financail assets not charged to the surplus/deficit on the provision of services	-0.7
0.1	Movement in valuation of investments not charged to Surplus/Deficit on the provision of services	0.2
2.6	**Balance on 31 March**	**2.1**

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 2015 £ m		Movement in Accumulated Absences Account	31 March 2016 £ m	
	-6.6	Balance at 1 April		-6.5
6.6		Settlement or cancellation of accrual made at the end of the preceding year	6.5	
-6.5		Amounts accrued at the end of the current year	-2.1	
	0.1	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		4.4
	-6.5	**Balance at 31 March**		**-2.1**

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 2015 £ m	Movement in Collection Fund Adjustment Account	31 March 2016 £ m
2.5	Balance at start of year	1.4
-0.4	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	-0.1
-0.7	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	-0.4
1.4	**Balance at end of year**	**0.9**

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 2015 £ m	Pensions Reserve - All Schemes	On 31 March 2016 £ m
-665.4	Balance as 1 April	-827.4
-144.8	Remeasurements of net defined (liability)/asset	174.5
-60.1	Reversal of net charges made for retirement benefits in accordance with IAS 19	-72.5
38.2	Employer's pension contributions and direct payments to pensioners payable in the year	38.9
4.7	Grant funding of fire-fighters pensions liabilities	5.1
-827.4	**Balance at 31 March**	**-681.4**

Note 21: Cash Flow Statement – operating activities

31 March 2015 £ m	Cash flows from operating activities	31 March 2016 £ m
	Cash Inflows from operating activities:-	
221.8	~ Council tax receipts	229.4
58.1	~ Business rates receipts	59.2
73.4	~ Revenue Support Grant	56.1
328.0	~ other Government grants (Note 24)	323.1
88.3	~ cash received for goods and services	90.5
2.7	~ interest received	3.2
	Cash Outflows from operating activities:-	
-347.1	~ cash paid to and on behalf of employees	-334.0
-374.0	~ other operating cash payments	-388.7
-18.9	~ interest paid	-18.6
32.3	**Total net cash flows from operating activities**	**20.2**

Note 22: Cash Flow Statement – investing activities

31 March 2015 £ m	Cash flows from investing activities	31 March 2016 £ m
-61.3	Purchase of property,plant and equipment, investment property and intangible assets	-75.6
-34.5	Proceeds or purchase (-) of short-term and long-term investments	35.9
0.2	Other receipts or payments (-) for investing activities	0.2
9.2	Proceeds from the sale of property, planty and equipment, investment property and intangible assets	1.9
52.5	Other receipts from investing activities - capital grants	43.8
-33.9	**Net cash flows from investing activities**	**6.2**

Note 23: Cash Flow Statement – financing activities

31 March 2015 £ m	Cash flows from financing activities	31 March 2016 £ m
-2.6	Repayments of short and long term borrowing	-5.1
-0.1	Cash payments for the reduction of outstanding liabilities in relation to finance leases	0.0
-2.7	**Net cash flows from financing activities**	**-5.1**

Note 24: Grant Income

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16:

Actual income 2014/15 £ m	Grant income	Awarding department	Actual income 2015/16 £ m
	Revenue grants credited to Services (cash received in the year):		
243.2	Dedicated Schools Grant	DfE	239.0
12.5	Pupil Premium Grant	DfE	11.1
0.6	Music Grant/Music Education Hub	DfE	0.7
0.0	Fire Transformation Fund	CLG	0.4
7.8	Sixth Form Funding	EFA	6.7
2.1	Other Schools Grants	Various	2.0
1.2	Asylum seekers	HO	1.6
21.8	Public Health Grant	DH	21.4
0.5	Delayed Transfer of Care	DH	0.2
0.1	Central Warwickshire Leader	CLG	0.0
3.5	Universal Infant Free School Meals	EFA	5.1
1.7	Adult & Community Leaning	BIS	1.6
0.5	Stratford Parkway Grant	DfT	0.1
0.7	Bus Service Operators Grant	DfT	0.7
0.0	Better Care Fund	CCGs	12.0
0.7	Other revenue grants	Various	0.9
296.9	**Total revenue grants**		**303.5**
	Capital grants and contributions credited to services:		
0.0	Disability Grant	DoH	1.9
0.0	Environment Agency	ENV	0.1
4.5	Broadband Delivery UK (BDUK)	DCMS	0.0
0.6	Contribution from other local authorities	Various	0.9
0.1	Private developer funding	Various	0.7
0.1	Other grants/contributions	Various	0.2
5.3	**Total capital grants and contributions**		**3.8**
302.2	**Total**		**307.3**

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 2014/15 £ m	Grant income	Awarding department	Actual income 2015/16 £ m
	Credited to Taxation and Non Specific Grant Income- cash received in the year:		
1.4	Business Rates Retention/Compensation Scheme	CLG	1.7
0.4	Adoption Reform Grant	DfE	0.0
7.1	Education Services Grant	EFA	5.2
10.4	NHS Section 256 Grant (now Better Care Fund)	DH	0.0
1.1	Special Educational Needs and Disability Grant	DfE	0.3
0.4	Local Services Support Grant	CLG	0.3
0.0	Care Act Implementation Grant	CLG	3.1
1.8	New Homes Bonus	CLG	2.3
0.0	Indepndent Living Fund Grant	CLG	1.5
1.2	Tackling Troubled Families	CLG	0.8
0.1	Severe Weather Recovery	DfT	0.0
1.1	Local Welfare Fund	DWP	0.0
0.7	Other Grants	Various	0.6
25.7	**Total revenue grants**		**15.8**
	Capital grants and contributions:		
1.1	Devolved Formula Capital	DfE	1.0
0.2	Learning and Achievement Growth Fund	DfE	0.0
10.5	Schools Maintenance and Basic Need	DfE	8.4
0.4	Contribution from Diocesan Schools	Various	0.1
10.7	Targeted Basic Need Funding & Universal Free School Meals	DfE	0.0
0.1	Academy Grant	EFA	0.0
1.2	Adult Social Care Personal Social Services Capital Grant 2014/15	DH	0.0
1.0	Land Swap		0.0
0.8	Fire Capital Grant	CLG	0.2
0.1	Environment Agency	CLG	0.0
20.0	Local Transport Plan & other transport grants	mainly DFT	15.6
0.0	Better Care Grant	DoH	1.2
0.0	Contribution from other local authorities	Various	0.8
8.4	Private developer funding	Various	6.8
0.5	Other grants/contributions	Various	0.9
55.0	**Total capital grants**		**35.0**
80.7	**Total**		**50.8**

The balances at year end are as follows:

31 March 2015 £ m	Grant receipts in advance	Awarding department	31 March 2016 £ m
	Revenue grant receipts in advance		
0.1	Common Assessment Framework Demonstrator Grant	DH	0.0
0.2	Delayed Transfer of Care	DH	0.1
0.1	Other grants	Various	0.1
0.4	**Total revenue grants**		**0.2**
	Capital grant receipts in advance		
2.4	Devolved Formula Capital	DfE	1.8
0.0	Primary Capital Programme	DfE	0.2
0.0	Grant from Other Local Authorities	Various	0.2
0.0	Fire Grants	CLG	1.2
0.0	Environment Agency	ENV	2.0
1.9	Pinch Point Grant	DfT	0.0
8.0	Private developer funding	Various	18.4
0.4	Other grants/contributions	Various	0.0
12.7	**Total capital grants**		**23.8**
13.1	**Total**		**24.0**

Awarding departments
BIS is the Department Business Innovation and Skills
CLG is the Department for Communities and Local Government
CCG's are the Clinical Commissioning Groups in Warwickshire
DCMS is the Department of Culture, Media and Sport
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
ENV is the Environment 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:

- Amendments to IAS 19 Employee Benefits (Defined Benefit plans: Employee Contributions).
- Annual Improvements to IFRSs 2010 – 2012 Cycle. Includes IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement and IAS 24 Related Party Disclosures
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation).
- Annual Improvements to IFRSs 2012-2014 Cycle. Includes IFRS 5 Non Current Assets Held for Sale and Discontinued Operations and IFRS 7 Financial Instruments Disclosures.

- Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative).

We are not required to adopt these standards under the Code of Practice on Local Authority Accounting 2015/16 and it is not expected that the implementation of these standards will have a material effect on our financial statements when implemented.

For the 2016/17 accounts, 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 represent a change in accounting policy from 1 April 2016. The balance sheet asset value is expected to increase by approximately £7.4bn (not yet subject to audit).

In 2016/17 we will also be required to adopt changes to the format of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the introduction of a new Expenditure and Funding Analysis Statement.

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £3.7 million for every year that useful lives are reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £133.8 million. During 2015/16, our actuaries advised that the net pensions' liability has decreased by £146 million mainly as a result of a large actuarial gain caused by low inflation in the year.
Fair Value	It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs). For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date and for level 3 inputs	We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale under IFRS 13. The unobservable inputs used in the fair value measurement include assumptions regarding rent growth and occupancy levels.

	we use the most recent valuations. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. Where Level 1 inputs are not available, we use our internal RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

Note 27: Authorisation for issue

These accounts have taken into account all known events up to 22 September 2016. 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.

2014/15 £ m	Capital financing requirement (IFRS)	2015/16 £ m
321.3	Opening requirement	305.4
	Capital investment	
64.7	- Property,plant & equipment	68.9
0.0	- Intangible assets	0.1
1.2	- Investment property	1.7
0.2	- Long term Investments (Financial Assets)	0.0
10.0	- Revenue spending from capital under statute	15.1
76.1	**Total capital investment**	**85.7**
	Sources of finance	
-9.1	- Capital receipts	-2.4
-59.8	- Government grants and other contributions	-43.9
	- Sums set aside from revenue:	
-7.2	- Direct revenue contributions	-10.3
-15.9	- MRP/loans fund principal	-15.0
-92.0	**Total sources of income**	**-71.7**
305.4	**Closing capital financing requirement**	**319.4**

Table may not sum due to roundings

2014/15 £ m	Explanation of movements in the year	2015/16 £ m
-15.8	Increase in underlying need to borrow	14.0
-0.1	Assets acquired under finance leases	0.0
-15.9	**Increase/decrease(-) in Capital Financing Requirement**	**14.0**

For details of our funding for capital see the narrative statement on page 14.

Note 29: Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 24 to 31, 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. In accordance with the Code we include them in our single entity accounts and we do not have to prepare separate group accounts. Details of the value and number of each type of school included in our accounts is shown at Note 9 on page 41.

- 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 76. 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 Regulation 7(4) of the Accounts and Audit Regulations 2015, we can confirm that the Dedicated Schools' Grant received in 2015/16 was £239.0 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 March 2016. The 2015/16 early years adjustment has yet to be announced.

2014/15 Total £ m		2015/16 Central Spending £ m	Individual schools budget (ISB) £ m	Total £ m
356.5	Final DSG for the year before Academy recoupment	66.3	309.3	375.5
-114.1	Less Academy recouped for the year	0.0	-136.5	-136.5
242.4	Total DSG after Academy recoupment for the year	66.3	172.8	239.0
1.2	Plus DSG brought forward from the previous year	-0.0	0.0	-0.0
0.0	Less DSG Carry forward to next year agreed in advance	0.0	0.0	0.0
243.6	Agreed initial budgeted distribution in the year	66.3	172.8	239.0
0.5	In year Adjustments	-0.2	0.0	-0.2
244.1	Final budgeted DSG distribution for the year	66.0	172.8	238.8
-64.9	Actual central spending for the year	-68.2	0.0	-68.2
-180.5	Actual ISB deployed to schools	0.0	-172.8	-172.8
1.3	Our contribution in the year	2.2	0.0	2.2
-0.0	**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 2015/16 and a further number of Warwickshire schools are anticipated to also convert to academy status in 2016/17 and beyond.

During 2015/16 1 community school and 3 voluntary controlled or aided schools became academies. A total of 3 community schools and 4 voluntary controlled or voluntary aided schools have applied to the Department for Education to convert to academy status after 1 April 2016. This is based on information as at 31 March 2016.

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 2016 will be in the region of £75.1 million.

Note 32: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2014/15) 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 2015 £ m	Operating lease period	31 March 2016 £ m
1.5	Not later than 1 year	1.4
4.4	Later than 1 year and not later than 5 years	4.2
10.0	Later than 5 years	9.6
15.9	**Total**	**15.2**

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 2015/16 £0.1 million (£0.2 million in 2014/15) contingent rents were receivable by the authority.

Note 34: Contingent assets

We currently have no contingent assets.

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 £0.815 million (£0.796 million in 2014/15) in allowances and expenses. In addition we paid independent and co-opted members allowances and expenses of £0.020 million (£0.012 million in 2014/15). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2015/16 are available on our website www.warwickshire.gov.uk.

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

Our activities expose us to a variety of financial risks:

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

Our overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out by a central treasury management team, under policies approved by the Council annually in the Treasury Management Strategy and is available via 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 2015 £ m	Loans we have not yet repaid	On 31 March 2016 £ m
	We owe money to:	
383.5	~ Public Works Loans Board	378.4
383.5	**Total**	**378.4**
	When we will pay the money back	
5.1	Less than 1 year	25.0
25.0	Between 1 and 2 years	1.1
11.1	Between 2 and 5 years	30.0
20.0	Between 5 and 10 years	0.0
322.3	More than 10 years	322.3
383.5	**Total**	**378.4**

Our level of borrowing is mainly due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2015/16 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 2016, 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 £0.040 million (£0.020 million in 2014/15)
- A decrease in fair value of fixed borrowing of £78.9 million (£78.4 million in 2014/15).

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 £0.490 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 2015/16 this amounted to a gain of £0.194 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 it's value by recognising this change as an unrealised gain or loss. At 31 March 2016 we recognised a total unrealised loss of £0.5 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.

2014/15		Remuneration	2015/16					
Staff (revised total)			Staff		Staff Left in the Year *		Revised Total	
Teaching	Other		Teaching	Other	Teaching	Other	Teaching	Other
83	35	£50,000 - £54,999	79	67	0	2	79	65
58	32	£55,000 - £59,999	56	39	0	3	56	36
29	11	£60,000 - £64,999	32	14	1	4	31	10
20	7	£65,000 - £69,999	16	6	0	2	16	4
8	16	£70,000 - £74,999	13	19	0	1	13	18
5	5	£75,000 - £79,999	5	7	0	3	5	4
3	2	£80,000 - £84,999	4	3	0	1	4	2
1	9	£85,000 - £89,999	4	11	2	1	2	10
0	3	£90,000 - £94,999	1	1	0	0	1	1
1	0	£95,000 - £99,999	0	3	0	0	0	3
0	0	£100,000 - £104,999	0	1	0	1	0	0
0	0	£105,000 - £109,999	1	0	0	0	1	0
0	0	£110,000 - £114,999	0	0	0	0	0	0
0	1	£115,000 - £119,999	0	0	0	0	0	0
1	1	£120,000 - £124,999	0	0	0	0	0	0
0	0	£125,000 - £129,999	1	0	0	0	1	0
0	0	£190,000 - £194,999	0	1	0	1	0	0
209	**122**		**212**	**172**	**3**	**19**	**209**	**153**

The 2015/16 figures above exclude 6 agency/interim staff (9 in 2014/2015).

A number of employees left during 2015/16, incurring costs of £2.3 million (£3.0 million in 2014/15). None of this 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 (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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	123	12	44	69	167	81	1.071	0.512
£20,001 - £40,000	25	10	5	18	30	28	0.856	0.859
£40,001 - £60,000	4	0	2	8	6	8	0.279	0.383
£60,001 - £80,000	3	0	0	2	3	2	0.212	0.141
£80,001 - £100,000	2	2	0	0	2	2	0.173	0.170
£100,001 - £150,000	2	0	0	0	2	0	0.268	0.000
£150,001 - £200,000	0	1	1	0	1	1	0.187	0.195
	159	**25**	**52**	**97**	**211**	**122**	**3.046**	**2.260**

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) £	Taxable Expense Allowances £	Compensation for loss of office £	Total excluding pension contributions £	Employer's Pension Contributions £	Total including pension contributions £
Chief Executive - Jim Graham	2014/15	172,866	0	0	172,866	28,955	201,821
	2015/16	172,866	0	0	172,866	30,252	203,118
Strategic Director, People Group							
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
Note 2	2015/16	0	0	0	0	0	0
Chief Fire Officer	2014/15	121,054	0	0	121,054	25,785	146,839
	2015/16	121,357	0	0	121,357	26,334	147,691
Strategic Director, Communities	2014/15	127,027	0	0	127,027	21,277	148,304
	2015/16	128,935	0	0	128,935	22,564	151,499
Strategic Director, Resources	2014/15	127,027	0	0	127,027	0	127,027
	2015/16	128,935	0	0	128,935	0	128,935
Head of Public Health - Dr John Linnane (Note 3)	2014/15	155,010	0	0	155,010	21,693	176,703
	2015/16	154,952	0	0	154,952	22,158	177,110
Head of Finance	2014/15	101,009	0	0	101,009	16,919	117,928
	2015/16	102,526	0	0	102,526	17,942	120,468
Total 2014/2015		**930,172**	**0**	**7,000**	**937,172**	**310,479**	**1,247,651**
Total 2015/2016		**809,571**	**0**	**0**	**809,571**	**119,250**	**928,821**

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: Payments to the Interim Strategic Director, People Group was via an Agency and for the period 1 April 2015 to 31 March 2016 payments were £257,990.

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 schemes

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 20 on reserves on page 50.

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 70 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 72) sets out the actuarial gains and losses made in 2015/16.

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

Scheme net liability	31 March 2015 £m	31 March 2016 £m	Increase/decrease (-) in net liability £m
LGPS	486.2	377.0	-109.2
Teachers Discretionary	53.5	47.8	-5.7
Firefighters	259.6	232.3	-27.3
Firefighters Injury	28.1	24.3	-3.8
All schemes	**827.4**	**681.4**	**-146.0**

A table analysing the change in the present value of pension scheme liabilities is on page 71.

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 72 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 2016, 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 a decrease in our liabilities, measured at today's prices, as shown in the table below.

Pension Scheme	2014/15 Rate of Return %	2015/16 Rate of Return %
Teachers	0.8% real (3.2% actual)	1.3% real (3.5% actual)
Fire-fighters	0.8% real (3.2% actual)	1.3% real (3.5% actual)
Fire-fighters injury awards	0.8% real (3.2% actual)	1.3% real (3.5% actual)
LPGS	0.8% real (3.2% actual)	1.3% real (3.5% actual)

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 2015/16, teachers paid between 7.4% and 11.7% of their salary (6.4% in 2014/15) and we paid 14.15% up to 31 August 2015 and 16.48% from 1 September of teachers' salaries (14.1% in 2014/15). A supplementary contribution is not needed at present. The total employers' contribution cost was £13.8 million in 2015/16 (£13.6 million in 2014/15).

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 70 and their opinion on the life expectancy of people once they have retired.

In 2015/16 the pension payments relating to added pensionable years we have awarded came to £3.0 million (£3.0 million in 2014/15) and represented 3.3% (3.1% in 2014/15) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2015/16, these retirement costs were nil (nil in 2014/15).

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 2015/16 are between 11.0% and 17.0%/8.5% and 12.5%/10.0% and 14.5% (employees 1992 scheme / 2006 scheme / 2015 scheme) and 21.7%/11.9%/14.3% (employees 1992 scheme / 2006 scheme / 2015 scheme) of firefighters' pay. In 2015/16, pension payments totalled £5.8 million (£5.6 million in 2014/15) and this was 43% (64.5% in 2014/15) of pensionable pay. We must pay any costs relating to early retirement. The costs totalled £0.1 million in 2015/16.

The table on page 70 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 2015/16 we paid £0.261 million (£0.255 million in 2014/15) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees contributions of which £0.021 million (£0.021 in 2014/15) was outstanding at the year end. Our contribution represents 14.3% of pensionable pay (14.0% in 2014/15).

Local Government Pension Scheme - other employees

We operate a funded, defined-benefit pension scheme for our staff, under the Local Government Pensions Scheme Regulations 2013. 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.

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 16.75% to 17.5% and is expected to increase by 0.75% per annum for 2016/17.

In 2015/16, the contribution rates were based on the results of the 31 March 2013 actuarial valuation. As a result, our employer's contribution rate was 285% of the employees' contribution (275% for 2014/15).

In 2015/16, we made normal employer's contributions totalling £23.9 million (£22.8 million in 2014/15).

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2015/16, these came to £1.3 million (£1.3 million in 2014/15), which was 0.9% (1.0% in 2014/15) of pensionable pay.

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

31 March 2015 Restated £ m	Local Government Pension Scheme	31 March 2016 £ m
872.7	Fair value of assets	884.4
-1,358.9	Present value of liabilities	-1,261.4
-486.2	**Shortfall**	**-377.0**

31 March 2015 £ m	Local Government Pension Scheme	31 March 2016 £ m
1,379.2	Assets at last valuation as at 31 March 2013	1,379.2
1,631.3	Whole Fund Assets as at 31 March 2015	1,665.1

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 70.

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 2016 is based on the market value at 31 December 2015. 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 0.25% of the value of assets at 31 March 2016.

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

31 March 2016	Quoted prices in active markets £ million	Quoted prices not in active markets £ million	Total £ million	Percentage total assets
Equity securities:				
Consumer	99.5		99.5	11%
Manufacturing	37.1		37.1	4%
Energy and utilities	16.9		16.9	2%
Financial institutions	48.2		48.2	5%
Health and care	29.5		29.5	3%
Information technology	24.2		24.2	3%
Other	33.8		33.8	4%
Private equity:				
All	0.0	23.9	23.9	3%
Real estate:				
UK property	101.5		101.5	11%
Overseas property	0.7		0.7	0%
Investment funds and unit trusts:				
Equities	218.0		218.0	25%
Bonds	148.5		148.5	17%
Hedge funds	0.0	44.0	44.0	5%
Infrastructure	0.0	7.8	7.8	1%
Other	40.5		40.5	5%
Cash and cash equivalents	10.3		10.3	1%
Totals	**808.7**	**75.7**	**884.4**	**100%**

31 March 2015	Quoted prices in active markets £ million	Quoted prices not in active markets £ million	Total £ million	Percentage of total assets
Equity securities:				
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%
Private equity:				
All	0.0	15.7	15.7	2%
Real estate:				
UK property	88.0	0.0	88.0	10%
Overseas property	1.2	0.0	1.2	0%
Investment funds and unit trusts:				
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%
Cash and cash equivalents	41.5	0.0	41.5	5%
Totals	**818.4**	**54.3**	**872.7**	**100%**

31 March 2015 £ m	Change in Fair Value of WCC Share of LGPS Assets	31 March 2016 £ m
782.9	Fair value of assets at the beginning of the year	872.7
-7.9	Effect of settlements	-3.4
33.2	Interest Income on plan assets	27.8
67.3	Remeasurements on assets	-10.5
25.5	Employers' contributions (including receipts covering early retirements)	25.2
8.4	Member contributions	8.4
-36.7	Benefits/transfers paid	-35.8
872.7	**Fair value of assets at the end of the year**	**884.4**

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2016, 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 2016. 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 2016 are used instead of that calculated by HRAM.

For more information, please contact Mathew Dawson on 01926 412861 (email mathewdawson@warwickshire.gov.uk) for a copy of our Pension Fund's Annual Report 2015/16.

31 March 2015				Pension scheme assumptions	31 March 2016			
LGPS	Teachers	Firefighters	Firefighter Injury Award		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				Financial assumptions:				
2.4%	2.4%	2.5%	2.4%	Rate of Inflation CPI	2.2%	2.2%	2.2%	2.2%
4.3%	4.3%	3.5%	3.4%	Salary Increase	4.2%	4.2%	4.2%	4.2%
2.4%	2.4%	2.5%	2.4%	Pensions increases	2.2%	2.2%	2.2%	2.2%
3.2%	3.2%	3.3%	3.2%	Rate of discount	3.5%	3.5%	3.5%	3.5%
				Life expectancy assumptions:				
22.4 (24.4)	22.4 (24.4)	29.5 (31.7)	29.5 (31.7)	A male (female) current pensioner aged 65	22.4 (24.4)	22.4 (24.4)	22.4 (24.4)	22.4 (24.4)
24.3 (26.6)	24.3 (26.6)	31.1 (33.2)	31.1 (33.2)	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.6)	24.3 (26.6)	24.3 (26.6)	24.3 (26.6)
				Commutation of pension for lump sum at retirement:				
75.0%	n/a	0.9	0.9	~ Taking maximum cash	75.0%	75.0%	75.0%	75.0%
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0%	50.0%	50.0%	50.0%

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

Change in assumptions as at 31 March 2016	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.5% decrease in real discount rate	11%	133.8
1 year increase in member life expectancy	3%	37.8
0.5% increase in the salary increase rate	3%	38.7
0.5% increase in the pension increase rate	7%	93.1

31 March 2015				Change in present value of pension scheme liabilities during the year	31 March 2016			
LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million		LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million
1,155.7	51.0	217.5	24.3	Benefit obligation at the beginning of the year	1,358.9	53.5	259.6	28.1
30.9	0.0	4.1	0.5	Current service costs	39.2	0.0	4.3	0.5
-19.4	0.0	0.0	0.0	Effect of Settlements	-9.6	0.0	0.0	0.0
48.6	2.1	9.5	1.0	Interest on pensions liabilities	43.4	1.6	8.2	0.9
8.4	0.0	1.2	0.0	Member contributions	8.4	0.0	1.2	0.0
0.4	0.0	0.0	0.0	Past service costs (gain)	0.3	0.0	0.0	0.0
-36.7	-3.3	-7.1	-0.6	Benefits/transfers paid	-35.8	-3.2	-8.2	-0.6
170.9	3.7	34.5	2.9	Remeasurements on liabilities	-143.4	-4.1	-32.8	-4.6
1,358.9	**53.5**	**259.6**	**28.1**	**Present value of liabilities at the end of the year**	**1,261.4**	**47.8**	**232.3**	**24.3**

Table may not sum due to roundings

31 March 2015					Pension scheme accounting	31 March 2016				
LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m		LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m
					Spending:					
30.9	0.0	4.1	0.5	35.5	Current service cost	39.2	0.0	4.3	0.5	44.0
0.4	0.0	0.0	0.0	0.4	Past service cost and curtailments	0.3	0.0	0.0	0.0	0.3
-11.5	0.0	0.0	0.0	-11.5	Effects of Settlement	-6.1	0.0	0.0	0.0	-6.1
48.6	2.1	9.5	1.0	61.2	Interest cost	43.4	1.7	8.2	0.9	54.2
-33.2	0.0	0.0	0.0	-33.2	Interest income on plan assets	-27.8	0.0	0.0	0.0	-27.8
35.2	**2.1**	**13.6**	**1.5**	**52.4**	**Net charge to CIES**	**49.0**	**1.7**	**12.5**	**1.4**	**64.6**
					Contribution from Pensions Reserve:					
-113.4	-2.6	-42.2	-3.8	-162.0	Movement on the Pensions Reserve	109.2	5.7	27.3	3.8	146.0
103.7	3.7	34.5	2.9	144.8	Re-measurements recognised in CIES	-133.0	-4.1	-32.8	-4.6	-174.5
n/a	n/a	-4.7	n/a	-4.7	Funded by Government top up grant	n/a	n/a	-5.1	n/a	-5.1
-9.7	**1.1**	**-12.4**	**-0.9**	**-21.9**	**Contribution (from) Pensions Reserve**	**-23.8**	**1.6**	**-10.6**	**-0.8**	**-33.6**
					Actual amount charged against council tax:					
25.5	n/a	1.7	n/a	27.2	Employers contributions & ill-health contributions	25.3	n/a	1.6	n/a	26.9
25.5	**n/a**	**1.7**	**n/a**	**27.2**	**Amount charged against council tax**	**25.3**	**n/a**	**1.6**	**n/a**	**26.9**
					Amount funded by government top up grant					
n/a	n/a	7.1	n/a	7.1	Retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	8.2	n/a	8.2
n/a	n/a	0.5	n/a	0.5	Retirement Benefits paid directly by Government Top Up Grant	n/a	n/a	-0.3	n/a	-0.3
n/a	n/a	-1.2	n/a	-1.2	Employee contributions	n/a	n/a	5.1	n/a	5.1
n/a	n/a	-1.7	n/a	-1.7	Employers contributions & ill-health contributions	n/a	n/a	-1.6	n/a	-1.6
n/a	**n/a**	**4.7**	**n/a**	**4.7**	**Government top up grant receivable**	**n/a**	**n/a**	**11.4**	**n/a**	**11.4**
					Movement in Reserves Statement					
-35.2	-2.2	-21.2	-1.5	-60.1	Reversal of net charges made for retirement benefits in accordance with IAS 19	-49.1	-1.6	-20.4	-1.4	-72.5
25.5	0.0	1.7	0.0	27.2	Employers contributions & ill health contributions	25.3	0.0	1.6	0.0	26.9
0.0	3.3	7.1	0.6	11.0	Retirement benefits paid or due to be paid to pensioners and transfers out	0.0	3.2	8.2	0.6	12.0
-9.7	**1.1**	**-12.4**	**-0.9**	**-21.9**	**Movement in Reserves Statement**	**-23.8**	**1.6**	**-10.6**	**-0.8**	**-33.6**

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

	31 March 2013 £ m	31 March 2014 £ m	31 March 2015 £ m	31 March 2016 £ m
Fair value of LGPS assets	744.0	782.9	872.7	884.4
Present Value of Liabilities:-				
~ Local Government Pension Scheme	-1,110.5	-1,155.7	-1,358.9	-1,261.4
~ Teachers Pension Scheme	-50.7	-50.9	-53.5	-47.8
~ Firefighters Pension Scheme	-223.4	-217.4	-259.6	-232.3
~ Firefighters Injury Awards scheme	-17.1	-24.3	-28.1	-24.3
Total present value of liabilities	**-1,401.7**	**-1,448.3**	**-1,700.1**	**-1,565.8**
~ Local Government Pension Scheme	-366.5	-372.8	-486.2	-377.0
Total surplus/deficit	**-657.7**	**-665.4**	**-827.4**	**-681.4**

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £1,565.8 million has a substantial effect on our net worth as recorded in the Balance Sheet, resulting in an overall balance of £681.4 million. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

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

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

LGPS	**Difference experienced on assets**		**Difference experienced on liabilities**		**Changes in assumptions made at triennial valuations used to estimate liabilities**		**Total**
	£ m	**%**	**£ m**	**%**	**£ m**	**%**	**£ m**
2012/13	60.5	8.1	-127.3	11.2	3.1	0.3	-63.7
2013/14	9.3	1.2	-29.2	2.5	40.5	3.5	20.6
2014/15	67.3	7.7	-180.3	-13.3	9.4	0.7	-103.6
2015/16	-10.5	-1.2	126.1	10.0	17.3	1.4	132.9
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-13.8**

Teachers	**Difference experienced on assets**		**Difference experienced on liabilities**		**Changes in assumptions made at triennial valuations used to estimate liabilities**		**Total**
	£ m	**%**	**£ m**	**%**	**£ m**	**%**	**£ m**
2012/13	0.0	0.0	0.0	0.0	-3.1	6.2	-3.1
2013/14	0.0	0.0	0.6	1.2	0.7	1.4	1.3
2014/15	0.0	0.0	3.8	7.1	-0.1	0.0	3.7
2015/16	0.0	0.0	2.6	5.4	1.6	1.5	4.2
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**6.1**

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
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
2015/16	0.0	0.0	-22.8	-9.8	-10.0	-4.3	-32.8
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							52.8

Firefighters Injury Awards	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to		Total
	£ m	%	£ m	%	£ m	%	£ m
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
2015/16	0.0	0.0	-2.4	-9.9	-2.2	-7.8	-4.6
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							1.9

Note 40: PFI and other 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.

Warwickshire County Council is the host authority for the Section 75 Pooled budget arrangement via the Better Care Fund. The strategic aims of the programme are;

- People are helped to remain healthy and independent;
- People are empowered to play an active role in managing their own care and the care they receive;
- People get the right service at the right time and in the right place – which means services will envelop individuals close to their home.

An agreement for the financial year starting on 1 April 2015 has been agreed with us and the other partners in the arrangement – the three Clinical Commissioning Groups (CCG's) in Warwickshire. The agreement will be reviewed and annual contributions agreed by the Better Together Programme Board before the commencement of each financial year thereafter. As the host authority we are responsible for arranging for the formal audit of the pooled funds under Section 28(1) of the Audit Commission Act 1998. The agreement sets out the basis of the governance arrangements and reporting requirements to both the Better Together Programme Board and the Health & Wellbeing Board. The five core schemes are community resilience, integrated care, care at home, accommodation with care and long term care. In addition a further four schemes, Performance Fund, Innovation Fund, Care Act Fund and Social Care Capital Fund has pooled funds allocated to it to provide support for the programme. Part of the Care at Home element, for Integrated Community Equipment Service (ICES) is subject to its own Section 75 agreement.

The total pooled budget arrangement is £36.1 million of which £33.0 million is revenue and £3.1 million is capital funding. Of the £3.1 million capital funding, £1.2 million in Social Care Capital Grant has been paid to us by the Department of Health and £1.9 million in Disabled Facilities Grant (DFG) was paid to us by the Department for Communities and Local Government (DCLG). Of the revenue element £21.0 million has been paid to the CCG's for them to commission services and of that £3.3 million has been passed back to the authority as part of a separate S75 ICES agreement. The remaining £12.0 million revenue funding was allocated to the council for commissioning services in accordance with the agreement and we have also put in an additional contribution of £0.6 million into the pooled spending making our total pooled budget contribution of £12.6 million. The agreements are subject in the main to terms and conditions which result in overspends and underspends remaining with the relevant commissioning body.

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

2014/15 deficit	Pooled budgets with health	2015/16			
		Our contribution	Total pool	Total spend	Surplus
£ m		£ m	£ m	£ m	£ m
	Better Care Fund Pooled Budget - S75				
0.7	- Integrated community-equipment service (ICES)	-1.8	-5.1	4.5	-0.6
0.0	- Better Care Fund - Revenue Non ICES	-10.8	-28.5	28.5	0.0
0.0	- Social Care Capital Grant	-1.2	-1.2	1.2	0.0
0.0	- Disabled Facilities Capital Grant	-1.9	-1.9	1.9	0.0
0.7	**Total**	**-15.7**	**-36.7**	**36.1**	**-0.6**

The deficit on Integrated Community-Equipment Services pool from previous years has been repaid by the CCGs (Clinical Commissioning Groups).

The surplus at the end of the year on the Integrated Community-Equipment of £0.6 million, belongs to 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 any surplus generated by the pool, will be shared between pool members. We have accounted for our share of the current surplus in the Comprehensive Income and Expenditure Account and the full pool surplus is held in our reserves until such times as it is distributed (see note 2).

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 24. Details of the balances with central government departments are shown in notes 14 and 17. Pooled budget arrangements with the Department of Health via Clinical Commissioning Groups (CCGs) are shown in note 41.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2015/16 is shown in note 36 on page 59. During 2015/16 works and services to the value of £26.8 million were commissioned from companies in which elected members had an interest (this includes £8.0 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 2015/16 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, SCAPE System Build Limited, 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 £15.3 million to other local authorities, central government and public bodies including £4.8 million to Her Majesty's Revenue and Customs, and they owed us £11.6 million including £3.8 million from 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 2015/16 which is available on our website.

Other Entities

We hold shares in the following companies:

Company	WCC Share holding	Directors
University of Warwick Science Park Innovation Centre Limited	19.9% of Ordinary Share Capital. 1/6 Voting Rights £1,502,500 preference share	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 I representative on Shareholder panel with 1% voting rights and 24% voting rights for maters relating to WCC SLA agreement	No right to appoint to board of Directors. 1% proxy vote unless WCC SLA related.
UK Municipal Bond Agency Plc	120,000 fully paid B Shares of £0.01 each 180,000 ordinary shares of £0.01 each	No Directors appointed by WCC

We are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with five 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 2015/16 we paid ESPO £1.6 million for goods and services (£2.0 million in 2014/15). The total amount of invoiced sales for ESPO-managed contracts in 2014/15 was £93.4 million (£95.6 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 five partners, or a one-sixth share. We are also entitled to a share of the profits. We received £0.2 million in 2015/16 (£0.2 million in 2014/15).

The UK Municipal Bond Agency plc (previously known as The Local Capital Finance Company Limited) was set up in June 2014 with the primary aim to reduce local authority finance costs. It is a new financial institution backed by 56 Local Authority shareholders (including Warwickshire County Council) and the Local Government Association (LGA). It is an example of local government working together on a commercial basis to create an independent institution in order to deliver benefit for all. The purpose of the company is to reduce local authority financing costs by issuing bonds in the capital markets, both public and private, by facilitating more efficient lending between councils and by source funding from third party sources and on-lending to councils on a matched basis.

The Gateway Alliance is a strategic partnership of primary schools in Warwickshire. It was created to provide professional development and school to school support following the reduction of Local Authority improvement services in 2011. The company is limited by guarantee and the members have confirmed that the governing documentation of the company contains the necessary provisions which are required pursuant to The School Company Regulations 2002. Under the regulations, all school companies are required to have a local authority as a supervising authority. If all the maintained school governing bodies who are members of the school company are from the same local authority then that local authority is designated as the supervising authority for the company. As a result Warwickshire is the supervising authority for the Gateway Alliance School Company. The Council processes the payroll for the Company staff all costs of which are reimbursed in full.

West Midland Rail (WMR) Ltd, is a company limited by guarantee with a Board of Directors appointed from each of the constituent member authorities for the purpose of providing local democratic strategic guidance for the specification of the new West Midlands rail franchise being let by the Department of Transport (DfT) during 2017. The current members are

Full Members	**Associate Members**
West Midlands Combined Authority	Birmingham City Council
Herefordshire Council	Coventry City Council
Northamptonshire County Council	Dudley Metropolitan Borough Council
Shropshire Council	Sandwell Metropolitan Borough Council
Staffordshire County Council	Solihull Metropolitan Borough Council
Telford and Wrekin Council	Walsall Metropolitan Borough Council
Warwickshire County Council	Wolverhampton City Council
Worcestershire County Council	

We are part of the Coventry and Warwickshire Local Enterprise Partnership Limited (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 are also a partner in a special company, Pride In Camphill Ltd – for details see Note 35 on page 59.

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2015/16.

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 2015/2016 for our significant trading activities was £46.6 million (£45.8million in 2014/15) which included £33.2 million of internal income recharged to services (£33.5 million in 2014/15).

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 £1.3 million (£0.5 million in 2014/15).

2014/15	Memo	Trading activity	2015/16				Memo
Net Expenditure £ m	Net Expenditure before technical adjustments £ m		Turnover £ m	Spend after internal income £ m	External income £ m	Net expenditure £ m	Net Expenditure before technical adjustments £ m
-0.3	-0.4	County caterers	10.9	2.6	-2.5	0.1	-0.2
-0.1	-0.1	Schools finance	1.0	0.1	-0.1	0.0	-0.1
0.1	0.0	Construction services	6.5	1.2	-1.2	0.0	0.0
-0.2	-0.2	County fleet maintenance	3.5	0.8	-0.9	-0.1	0.0
-0.1	-0.1	Design services	3.2	0.9	-0.9	0.0	-0.1
0.1	0.0	Legal services	4.2	1.3	-1.1	0.2	0.0
0.2	0.1	ICT services	4.1	1.5	-0.9	0.6	0.4
0.0	0.0	County Music Service	1.8	0.6	-0.7	-0.1	-0.1
0.0	0.0	Early intervention	1.5	0.4	-0.5	-0.1	-0.1
-0.2	-0.2	School absence (sickness scheme)	2.1	-0.4	-0.2	-0.6	-0.6
0.1	0.2	Other trading accounts (turnover of less than £1m each)	7.8	5.0	-4.4	0.6	0.5
-0.4	**-0.7**	**Total**	**46.6**	**14.0**	**-13.4**	**0.6**	**-0.3**

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, county cleaning 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

2014/15 £ 000's	Fund account	2015/16 £ 000's
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1,639	- normal contributions in relation to pensionable pay	-1,490
-74	- early retirements	-120
-22	- other contributions	-12
-1,196	- from members (firefighter's contributions)	-1,149
-2,931	**Income to the fund**	**-2,771**
	Spending by the fund	
	Benefits payable:	
5,429	- Pension payments	5,805
2,064	- Commutation of pensions and lump-sum retirement benefits	2,081
	Payments to and on account of leavers	
130	- Individual transfers out of the scheme to other authorities	0
7,623	**Spending by the fund**	**7,886**
4,692	**Net amount payable for the year (before top-up grant receivable from Government)**	**5,115**
-4,692	Top-up grant payable by the Government	-5,115
0	**Net amount payable or receivable (-) for the year**	**0**

31 March 2015 £ 000's	Firefighters' Pension Fund net assets statement	31 March 2016 £ 000's
	Current assets:	
771	- Top-up grant receivable from Government	0
0	- other current assets (other than assets in the future) ~ debtor	669
	Current liabilities:	
-771	- other current liabilities (other than liabilities in the future) ~ creditor	-82
0	- Top-up grant repayable to Government	-587
0	**Net assets or liabilities (-) at the end of the year**	**0**

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 the statements.

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 2016. 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 64 to 74.

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 and creditors for both years are amounts due to/from central government (balance of grant due to balance the account to nil). Oher debtors and creditors for both years are the amounts due to or from Warwickshire County Council, the administering authority or tax not yet paid to HMRC. This year as we have had more grant on account from the DCLG than we have needed, we owe them some back. As the Fire-fighters' Pension Fund does not have its own separate bank account this excess cash has been held within the County fund and is therefore owed to the Fire-fighters' Pension Fund by Warwickshire County Council. 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 2016

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2015/2016

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Annual Governance Statement 2015/2016

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 Democratic Services. Further information is on 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 Regulations 2015.

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 2016 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 During its original development the One Organisational Plan was informed by an extensive programme of consultation which was reported to Cabinet in December 2013. This included 'Let's talk' roadshows across the county and the use of 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. Let's talk Roadshows were again held during November 2015 to engage with residents on council services and to feedback how their views have influenced the way the council does things and how it is spending taxpayers' money. The One Organisation Plan has been communicated to citizens through a range of media including dedicated pages on our website and social media. http://oop.warwickshire.gov.uk/ The Warwickshire Observatory 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. Further information on work undertaken and reports published by the Observatory can be found on their website: http://www.warwickshireobservatory.org/
Reviewing the authority's vision and its implications for the authority's governance arrangements
We have a Code of Corporate Governance in place which 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 was revised in 2007/08 to reflect new CIPFA/SOLACE guidance

and most recently updated again in 2012. The CIPFA / SOLACE guidance will be updated during 2016 and we are committed to reviewing our local code in line with ongoing guidance. Further information on 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 2016/17 Budget and a refresh of the Medium Term Financial Plan for the last two years of the plan up to 2018 were approved by the County Council on 4th February 2016. Further approval was provided by the County Council on 23rd February 2016 to incorporate transitional grant funding for 2016/17.

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. This information is also available electronically via the Member Dashboard.
- A management information dashboard is in place which provides real time HR, finance and performance data to Strategic Directors, Heads of Service and third tier managers for their areas of responsibility. This 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).
- A high level review of project and programme bodies was undertaken in 2015 to streamline activity and a number of project governance principles were developed and rolled out across the Council.
- Phase 1 of the Project Hub, a new on-line system for monitoring and reporting progress with projects and programmes was launched at the end of March 2016. The Project Hub will increase visibility and transparency of projects and programmes delivered by all Groups across the Council, and will help to focus resources where they are needed most and will have the biggest impact.

We publish information each year which outlines how we spend Council Tax income. This information is available for the current and previous financial years and can be viewed on our website: http://www.warwickshire.gov.uk/counciltaxspending

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

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

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

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 monitored and reported to Members on a quarterly basis. They are also reviewed as part of the annual budget setting process to identify future service and budgetary requirements and to respond to further requirements for change.

The Workforce Strategy 2014-18 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 Customer and Transformation Board, chaired by the Strategic Director, Resources and includes all Strategic Directors, have oversight of organisational change and transformation activity across the Council. Its responsibilities include:

- delivery of the Customer Services Strategy; to develop 'One Front Door' for the Council and to develop and deliver improved Customer Journeys for the people of Warwickshire;
- ensuring that the Council maintains an organisation wide view on the health of transformation activity and to provide additional insight into progress where

appropriate;
- ensuring that key strategies related to One Organisational Plan outcomes (and specifically outcomes related to resources and services) are delivered across all areas of the Council; and
- oversight of and challenging value for money, return on investment and benefits realisation.

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 regular updates from senior lawyers in the Authority highlighting if there are any:

- potential breaches of law or other council regulations (such as Contract Standing Orders) and legal challenges;
- cases which give rise to questions as to the Council's power to take action;
- proposals to act contrary to corporate policy or legal advice; or
- any new legislative provisions which might affect 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

The constitution outlines roles and responsibilities for Cabinet to approve the formation of partnerships with other public, private, voluntary and community organisations. The Leader of the Council has overall responsibility to act as the lead representative of the council on sub-regional partnerships and to make associated commitments on behalf of the council provided those commitments fall within the budget and policy framework of the council: http://www.warwickshire.gov.uk/constitution

We have a partnership governance toolkit which helps the Council and other agencies involved in partnership working 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. This includes partnership objectives, structures, governance arrangements (including conduct, performance, financial and risk management arrangements, customer engagement protocols and exit strategies. We are committed to reviewing the toolkit during 2016/17.

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: https://www.warwickshire.gov.uk/nfi

We are working alongside other local authorities in Warwickshire to establish a Counter-Fraud Partnership to deter and detect fraud: http://www.warwickshire.gov.uk/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 26th September 2013 and are supported by a suite of financial rules available to staff on the internal intranet. 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 2014/15 we commissioned three Peer Challenges, which provided an external, impartial, peer-led perspective on how we operate in a number of areas. Following the completion of the reviews we have collated the recommendations and developed a single Integrated Peer Challenge Action Plan which was presented to Cabinet in July 2015. Quarterly progress updates on the delivery of the plan is reported to Cabinet and to the Resources and Fire & Rescue Overview and Scrutiny Committee to demonstrate progress against the organisation-wide recommendations. http://www.warwickshire.gov.uk/our-performance/overall-performance/peer-review-integrated-action-plan-2015

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. Confidential registers of concerns raised and the subsequent outcome of investigations are held by the Risk and Assurance Service for fraud related complaints and by Human Resources and Occupational Development for all other whistleblowing complaints received. We are committed to reviewing these arrangements during 2016/17 with a particular focus on establishing a central register to record all whistle blowing. 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. http://www.warwickshire.gov.uk/constitution

A review of the Council's governance arrangements has been undertaken by the Leaders Liaison Group which had a particular focus on decision making, overview and scrutiny, and member engagement at local and strategic level. Recommendations arising from the review and proposed amendments to the Constitution were reported to and approved by Council on 24th September 2015. A further update was made to the Constitution in March 2016 to reflect changes to the treasury management role of the Head of Finance as documented in the Treasury Management Strategy for 2016/17. This was approved by Council on 22nd March 2016.

We have a forward plan which provides information about all of the decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website. Where a report is considered in private, the reason for that is set out in the description of the decision: https://democratic.warwickshire.gov.uk/cmis5/

The Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution. 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 we have procedures in place that outline the arrangements for members of the public requesting access to information: http://www.warwickshire.gov.uk/foi

We have adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000 and the Local Government Transparency Code 2015. The publication scheme guide is available on our website: http://www.warwickshire.gov.uk/publicationschemeguide

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.

The Workforce Strategy 2014-18 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.

We recognise that we have a diverse workforce and have staff networks for disabled staff, staff who identify as lesbian, gay, bisexual and trans (LGBT), religion and belief, members of staff who consider themselves to be from an Ethnic Minority community, and parents. The networks work towards equal opportunities in terms of improving policies, procedures, practices, recruitment, retention career development and support. Further information on staff networks can be viewed at http://www.warwickshire.gov.uk/staffnetworks

The Working for Warwickshire competency 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

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 its original development the One Organisational Plan was informed by an extensive programme of consultation which was reported to Cabinet in December 2013. This included 'Let's talk' roadshows across the county and the use of 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. Let's talk Roadshows were again held during November 2015 to engage with residents on council services and to feedback how their views have influenced the way the council does things and how it is spending taxpayers' money.

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/

The Council's vision cannot be realised without recognising the diversity which exists in our customer base, our workforce and the wider Warwickshire community. We have adopted the Equality Framework for Local Government as a tool to integrate equality and diversity into everything it does from policy development to service planning and delivery. This ensures that Equality and Diversity is an integral part of consultation and 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

We operate a network of thirty Community Forums across the county, which 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 is in place 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. During 2015 the Memorandum of Understanding was reviewed, updated and signed by Chairs of each body. http://www.healthwatchwarwickshire.co.uk/

During 2015 we launched an Employee Engagement Strategy which outlines how we will improve the engagement of our employees This includes ensuring employees have a voice, managers and leaders are focusing, coaching and stretching their people and there is clear communication about where our authority is going. This is supported by the annual staff survey and pulse surveys which measure progress against actions or views on topical issues. This enables us to target hotspots and measure engagement on a more regular basis. https://www.warwickshire.gov.uk/employeeengagement

The Armed Forces Community Covenant for Coventry, Solihull and Warwickshire (CSW) was signed off in June 2012 by Warwickshire County Council, its constituent District and Borough Councils, Coventry City Council and Solihull Metropolitan Borough Council, representatives of the charitable and voluntary Sector, the civilian community and the military community across the CSW sub-region. The Community Covenant for Coventry, Solihull and Warwickshire reflects the promise from the nation that those who serve or who have served in the Armed Forces, and their families, are treated fairly and are not disadvantaged in their day-to-day lives. This includes offering injured servicemen and women and bereaved families extra support where appropriate. http://www.warwickshire.gov.uk/armedforcescommunitycovenant

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. Governance arrangements were reviewed during 2015 and were approved by the Board at its meeting in July 2015 http://hwb.warwickshire.gov.uk/

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, 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 2015/16 in a number of ways including:

- A review of the Council's governance arrangements undertaken by the Leaders Liaison Group. Recommendations arising from the review and proposed amendments to the Constitution were reported to and approved by Council on 24th September 2015;
- scrutiny reviews undertaken by task and finish 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 moderate 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.

Governance Challenges for 2016/17 and beyond
Government policies, new legislation and sustained austerity measures present immediate challenges and further significant imposed savings over the medium term. The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation presenting significant challenges to us. Statements from the Treasury continue to reiterate that the period of austerity for public services will continue for some years and we need to maintain a watching brief of government statements to identify potential policies which may have a significant impact for local government. In addition to savings of £92m that we have identified and committed to making for the period 2014-18 changes to how the Government distributes Revenue Support Grant means that further savings of £14.2 million need to be made by the end of 2017/18. The impact of this has been softened by the provision of £3m transitional funding in 2016/17 and 2017/18, but with the Government issuing indicative grant figures through to 2019/20, overall savings of £60m need to be made. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. The savings and transformation plans that are being put in place are challenging and will result in a significant impact on services that we provide to the public. The major focus for us in the coming year is to: • Refresh the One Organisational Plan for the period 2017–2020 in response to changes to the local government settlement and taking into account the diverse

Governance Challenges for 2016/17 and beyond

requirements of communities.

- Ensure that there is effective and appropriate consultation and communication of change to all customers, stakeholders and staff.
- As part of the transformation programme, continue to provide clarity about our priorities based on an analysis of need and budget plans.
- Manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector.
- Continue to monitor the implementation of savings plans and ensure that budgets are managed in a clear and prudent manner.
- Ensure that good governance, sound project and partnership management and standards of control are in place and adhered to during the transformation process to ensure that risks are managed and we achieve the best outcomes.

Impact of devolution, Public Sector reform agenda, national and local policy direction for Warwickshire on service delivery.

The growing devolution agenda and national policy is influencing our strategic thinking in how we deliver services including blue light services, adult social care, academies and children's services. We have a Customer and Transformation Board, chaired by the Strategic Director, Resources and include all Strategic Directors, which has oversight of organisational change and transformation activity across the Council.

In addition at a wider, regional level the West Midlands Combined Authority (WMCA) will have devolved powers from Central Government over transport, economic development and regeneration. Warwickshire has agreed to join as a non-constituent member which will enable us to participate in future negotiations over devolution deals that WMCA seeks with Central Government.

We will continue to monitor and respond to government proposals arising from the Government White Paper 'Educational Excellence Everywhere' and a report will be presented in due course to Cabinet outlining how a sustainable financial future for support for schools and pupil related services can be delivered.

These developments have the potential for fragmentation of public service delivery and result in a lack of clarity over overall direction, governance and accountability. We will continue to explore and engage in the debate around the implication of national policy direction on local public service delivery and what it may mean for Warwickshire.

Continuing pressure on Adult Social Services and Health

There continue to be a number of pressures that have a fundamental impact on the funding and provision of adult social care services in Warwickshire. Inflation and demographic pressures, combined with the impact of the national living wage, means that demand and costs for providing adult social care continue to rise. In addition market pressures on providers increases the risk that they either leave the market or that services provided fail to meet minimum statutory requirements.

The Government has introduced the Better Care Fund which aims to encourage Local Government and the NHS to work closely together to help local areas plan and implement seamless health and social care services across England in line with the vision outlined in the NHS Five Year Forward View. This is funded through a local single pooled budget. We are working with partners in the NHS looking at how we combine and use our resources to work more closely together to help people get the support they need in the right place and at the right time. This programme of work is known locally as 'Warwickshire Cares: Better Together'.

During the next year we will continue to shape and commission our services and will have a focus on the following:

- A review of the "customer journey" for child and adult services which will review services from the customer perspective and improve processes with the customer in mind
- introduce a new approach for contract management allowing us to manage the market and spending in high risk areas
- continue to progress our approach to commissioning and improve our approach to managing contractor performance and reducing the risk of market failures
- review the assessment model for Social Care and Support customers to identify how assessments can be most effectively delivered in future
- model in detail the impact of the national living wage on expenditure and understand the impact on budgets

Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death

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

We have established a Multi-Agency Safeguarding Hub (MASH) in partnership with Warwickshire Police, National Health Service (NHS) and other key partner agencies. This allows us to work more closely with our partners to provide a more co-ordinated and consistent response to safeguarding concerns about children, young people and adults. Services for children have become fully operational and we are working to integrate support for adults by September 2016.

Failure to maintain the security of personal or protected data held by the Council

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

Data loss and network integrity remains an inherent risk for the Authority and we continue to place emphasis on improving awareness and practices in relation to information security and strengthening the security infrastructure of our networks. We will continue to review and develop our cyber security arrangements during the course of the next year.

Governance Challenges for 2016/17 and beyond

The ability to secure economic growth in Warwickshire

We are a member of The Coventry and Warwickshire Local Enterprise Partnership (CWLEP) which is a key driver for creating a successful, thriving economy within Coventry and Warwickshire. CWLEP has secured further funding from the Governments Local Growth Fund for a number of projects that we are responsible for which will which provide investment in:

- New transport infrastructure which will improve connections with other cities and towns and tackle congestion on the area's roads.
- Driving innovation in advanced manufacturing and engineering through the provision of new R&D and business support facilities.
- Supporting businesses to flourish through the provision of effective business advice and support.
- Growing local skills and talent through investment in Further Education Colleges.

Over the next year we will contribute to the review of CWLEP's Strategic Economic Plan, implement projects under the Local Growth Fund that we are responsible for delivering and also identify any potential projects where funding can be sought from the European Structural and Investment Fund to ensure that Warwickshire continues to benefit from investment contributing to economic growth.

At a wider, regional level the West Midlands Combined Authority (WMCA) is being established with the challenge to create jobs, enhance skills, develop prosperity and drive economic growth. The Combined Authority currently will have devolved powers from Central Government over transport, economic development and regeneration and will allow individual councils to collate resources to work together. In addition the current WMCA devolution deal proposes a number of areas for further exploration in which we have an interest including the Midlands Engine project to secure wider transport investment and growth.

The Council has agreed to join WMCA as a non-constituent member with a view to negotiating the basis of an acceptable deal on which Warwickshire could become a constituent member. We will continue to contribute to discussions in relation to the Combined Authority and a further report will be presented to Council to determine whether or not the Council wishes to seek constituent membership.

Inability to keep our communities safe from harm.

There are many challenges on the horizon nationally and locally for the services that we provide that keep our communities safe, particularly in child and adult safeguarding, the Fire and Rescue Service and highways maintenance, and we recognise that we need to become even more flexible if we are to meet our current and emerging challenges over the next four years. We are conscious that we need to achieve this during a period of austerity where we will be operating with a significantly reduced budget.

Child and adult safeguarding including the development of the MASH is addressed earlier in the section.

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

Governance Challenges for 2016/17 and beyond
plans in place which have links to the Emergency Plan to allow us to respond to increased demand for services and ensure continuity in the delivery of critical services to the community during a civil emergency. During the course of the next year we will have a focus on the following areas: • Complete a review of countywide operational fire cover • Develop a 2017-20 Integrated Risk Management Plan for the Fire Service • Continue to review and test our business continuity and emergency plans.

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: 22 September 2016