Audit & Standards Committee

9 September 2015

Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **9 September 2015** at **10.00 a.m.**

1. General

(1) Apologies

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests.

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

- Declare the interest if s/he has not already registered it
- Not participate in any discussion or vote
- Must leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the new Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the Audit and Standards Committee meeting held on 04 June 2015 and Matters Arising

2. Reports Containing Confidential or Exempt Information

To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972'.

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS).

3. Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 4th June 2015

4. Internal Audit Progress Report

REPORTS TO BE CONSIDERED IN PUBLIC

5. External Auditors Annual Governance Report 2014/15

6. Statement of Accounts 2014/15

7. Annual Governance Statement 2014/2015

8. Warwickshire Pension Fund Statement of Accounts and Governance Report 2014/15

9. Work Programme and Future Meeting Dates

To note the work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- Thursday 5th November 2015
- Wednesday 3rd February 2016

10. Any Other Business

Membership of the Audit and Standards Committee

Councillors: John Beaumont, Bill Gifford, John Horner, Chris Saint, Bob Stevens and June Tandy.

Independent Members: John Bridgeman CBE, (Chair) and Bob Meacham OBE

For queries regarding this agenda, please contact:
Ben Patel-Sadler, Democratic Services Officer
Tel: 01926 736 118, e-mail: benpatelsadler@warwickshire.gov.uk

Jim Graham
Chief Executive
Warwickshire County Council
May 2015

Minutes of the meeting of the Audit and Standards Committee held on 4th June 2015

Present

Members:

Councillor John Beaumont
Councillor Bill Gifford
Councillor John Horner
Councillor Chris Saint
Councillor Bob Stevens
Councillor June Tandy

Independent Members:

John Bridgeman CBE (Chair)
Bob Meacham OBE

Officers:

John Betts, Head of Finance
Sarah Duxbury, Head of Law and Governance
Ben Patel-Sadler, Democratic Services Officer
Virginia Rennie, Group Accountant
Garry Rollason, Chief Risk and Assurance Manager

External Representatives:

John Gregory, Grant Thornton - Auditors

Members of the public:

Three

1. General

(1) Apologies

Apologies for absence were received from:

David Carter, Strategic Director Resources Group

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

No disclosures of pecuniary or non-pecuniary interests were made.

(3) Minutes of the meeting of the Audit and Standards Committee held on 12th February 2015

Members noted that the Better Care Fund would be analysed by the External Auditors during their year-end work. It would be known in the summer of 2015 if the flow of finance between the county and district councils had been effectively managed. Any findings would be reported in the External Auditors' Value for Money (VFM) conclusion.

Members asked if there was a register which recorded instances where the Council's Whistleblowing Policy had been used. Sarah Duxbury (Head of Law and Governance) informed the Committee that the Internal Audit Department would hold a record of financial issues which had been reported. Members asked for it to be placed on record that they had raised the matter of the Council's Whistleblowing Policy at the February 2015 meeting of the Committee.

Members noted that the Worcestershire County Council Internal Audit service had now been transferred to Warwickshire. The Committee requested that an update be provided to them in nine months' time which would highlight any savings that had been made by creating the joint Internal Audit Service.

It was agreed that the minutes be signed by the Chair as a true and accurate record of the meeting.

2. Reports Containing Confidential of Exempt Information

Councillor Stevens proposed (seconded by Councillor John Horner) and it was resolved that members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

3. Consideration of the Exempt Minutes of the Audit and Standards Committee meeting held on 12th February 2015

4. Internal Audit Report 1 January 2015 – 31 March 2015

REPORTS TO BE CONSIDERED IN PUBLIC

5. Internal Audit Annual Report 2014/15

Garry Rollason (Chief Risk and Assurance Manager) introduced the report which summarised the results of the internal audit work completed during 2014/15 and which gave an overall opinion of the Authority's control environment.

Members had found the graphics used in the report helpful when interpreting the data provided in the report.

The Committee noted that the outcomes of audits carried out by the internal audit team were increasingly positive, but Garry Rollason explained that different topics were audited each year. The budgetary pressures facing the Authority made it imperative for the internal audit team to work efficiently and effectively and to look at as many areas of Council business as possible.

Garry Rollason informed Members that there was a log to record instances of when the Council's fraud hotline was called. In the past year there had been around ten calls made to the hotline. The Committee requested that the number of these calls be confirmed to them.

In relation to Appendix A of the report, Members noted that the opinion on the level of assurance provided by controls with regards to Honoraria payments was 'moderate'. Gary Rollason informed the Committee that five of the six recommendations made by internal audit had been implemented. Members noted that all of the recommendations made by internal audit in relation to County Fleet Maintenance had been implemented.

Members wished to place on record their congratulations to the Council for being in a strong position – the Authority's control environment provided substantial assurance that the significant risks facing the Authority were being addressed and managed effectively. The Committee believed that addressing any identified issues at an early stage was resulting in effective controls being put into place, avoiding significant issues arising.

The Audit and Standards Committee noted the results of the internal audit work completed during 2014/2015.

6. Annual Governance Statement 2014/15

Sarah Duxbury (Head of Law and Governance) introduced the report and informed the Committee that it was a statutory requirement for the Authority to publish an Annual Governance Statement (AGS). The report contained the results of the review of internal control and the draft AGS for the County Council.

Members noted that an assurance gathering process had been conducted by a panel, the membership of which was outlined at 2.1 of the report. The Panel scrutinised the strategic risk register prepared by senior managers and approved by Corporate Board. Additionally, Heads of Service had completed assurance statements which confirmed that they had complied with the risk management framework throughout the year for the identification and management of risks within their respective services.

The Committee noted that the total school financial deficits for the county currently stood at a few hundred thousand pounds. John Betts (Head of Finance) informed Members that for Authority maintained schools a licenced deficit could be operated. This was an agreement between the school and the local authority which enabled the school to effectively borrow to cover unforeseen expenditure - staff absence, the construction of new classrooms, etc. An agreed recovery plan also formed part of this agreement in order that the additional sum borrowed could be returned to the Authority over a set period of time.

Members were informed by John Betts that where a school deficit occurred, the Authority worked with the Headteacher and the governing body to recover the deficit. Members noted that the Authority monitored the financial position of maintained schools. It was also the responsibility of each school's governing body to monitor their schools' financial position and to take appropriate action as necessary. If this mechanism failed, then the Authority had the power to remove delegated authority from the school, although this was avoided wherever possible – the Authority sought to work with the school to rectify any deficits.

The Committee expressed a view that it was crucial for schools to manage their budgets effectively. Overspends were discouraged and excessive surpluses should be avoided – Members believed that all of a schools' budget should be used to give each child the best possible education.
Members noted that Sarah Duxbury was responsible for supporting the governance arrangements for the proposed Warwickshire Multi-Agency

Safeguarding Hub (MASH). It was hoped that the MASH would be operational by Christmas 2015.

The Committee asked that the wording of the sections on the Case File Audit Tool and Fire and Rescue should be updated to reflect any actions post April 2015.

Members noted that some of the wording contained in the AGS would be looked at again by officers now that the Queen's speech had been read. This essentially resulted in the AGS being categorised as a post, rather than a pre-election document.

The Committee expressed a view that the proposed formation of Combined Authorities would be complicated due to the number of partners involved in the process.

Members discussed the risks outlined in the AGS and raised specific concerns on:

1.) The increasing demand for school places in the county.
2.) The distribution of Section 106 funding.

Sarah Duxbury assured Members that the wording contained in the draft AGS would be looked at and amended if necessary before its submission to full Council.

The Audit and Standards Committee noted the results of the review of internal control and the content of the draft AGS for the County Council.

7. Assurance Strategy 2015/16

Garry Rollason (Chief Risk and Assurance Manager) introduced the report which outlined the proposed audit work to be completed during 2015/16.

Members noted that the Committee considered an audit plan on an annual basis. Garry Rollason informed Members that it was best practice to review the Audit Charter every year and this year's changes were required to reflect new Accounts and Audit Regulations.

Garry Rollason explained to the Committee that although Warwickshire and Worcestershire now had a shared Audit service, both organisations would retain their own audit committees. Members were informed that the partnership presented opportunities to achieve efficiency savings.

Members noted that if the internal audit service were to receive a cut in their funding then it would have an impact on the number of audits that could take place. However, the same strategic objective would remain whatever levels of funding were provided to the department – the aim would be to provide assurance that risks to the organisation were identified and managed appropriately.

Garry Rollason informed Members that he worked throughout the year with Heads of Service to determine which areas of Council business would be considered by the internal audit department – it was a requirement of professional standards that the Audit Committee endorse the Audit Charter.

The Audit and Standards Committee approved the proposed assurance strategy and Audit Charter.

8. Accounting for Local Authority Maintained Schools

Virginia Rennie (Strategic Finance Manager) introduced the report which outlined the new accounting requirements for local authority maintained schools.

Members noted that as part of the new CIPFA accounting requirements, local authorities were now required to treat all maintained schools as if they were part of the local authority. This required a change in accounting policy to include the assets of voluntary aided, voluntary controlled and foundation schools as the assets of County Council in our statement of accounts.

Virginia Rennie explained to the Committee that this judgement had been reached because although the Council did not own voluntary aided, voluntary controlled and foundation schools, they were viewed as assets which contributed to the delivery of the Council's aims.

The Committee noted that the assets of 87 schools would now be included in the Council's statement of accounts for the first time.– Academies and free schools were not included..

John Gregory (Grant Thornton – Auditors) informed the Committee that this was the most significant change to the Council's accounts this year.

The inclusion of the voluntary aided, voluntary controlled and foundation schools assets in the statement of accounts would result in an addition of around £300 million to the Council's asset base. Members noted that this did not mean the Council having £300 million of extra resource available, it was just a technical adjustment to meet the revised CIPFA guidelines.

The Audit and Standards Committee agreed the accounting policy in relation to school assets and noted the amendments to the presentation of the statement of accounts that resulted from the change in accounting policy.

ADDITIONAL ITEM: Audit Plan 2014/15

John Betts (Head of Finance) introduced the report which considered the External Auditors' plan for the audit of the Pension Fund for the financial year 2014/15.

Members noted that the fieldwork on the Pension Fund undertaken by the External Auditors would begin during summer 2015. Local Pension Boards (chaired by an independent person) would be formed shortly, with their remit being to scrutinise the administrative decisions that were being made in relation to the Council's pension fund

John Gregory (Grant Thornton – Auditors) informed the Committee that the External Auditors treated the audit of the pension fund as a separate audit. There had been no concerns raised by the External Auditors at this stage. Any weaknesses in member data were identified during the year end audit of the pension fund.

Members noted that the Pension Fund investment Sub-Committee analysed the Warwickshire pension fund yield on the investments which had been made. At the present time, work was being undertaken nationally to ensure that all pension fund investments were transparent. The Committee was informed by John Betts that the Warwickshire pension fund was well managed – the fund was managed in an active rather than a passive manner to achieve the best possible returns on investments.

Members noted that the cost of administering the Warwickshire pension fund was reasonable – the management fee was less than half that of similar funds in the private sector.

John Gregory explained to the Committee that there remained work to be done to ensure that the Warwickshire pension fund remained compliant. If it was not compliant for any reason, then the Audit and Standards Committee would be made aware

The Audit and Standards Committee noted the report and were informed that an update on the pension fund governance arrangements would be provided at the September meeting.

9. Work Programme and Future Meeting Dates

The Audit and Standards Committee noted the Work Programme and future meeting dates.

Members were informed by Garry Rollason that across the Council, the overall implementation of recommendations made by internal audit was very good.

In relation to Exhall Grange School and Science College, Members noted that a proportion of the recommendations made by internal audit had been implemented. Although some recommendations were still outstanding, none were classified as being fundamental.

Sarah Duxbury informed the Committee that the complicated mechanism for recharging meant that it was not a worthwhile exercise to pursue the small amount of money owed to the Council by Coventry City Council in relation to an undercharge for the year ending 31.03.13 This was in relation to Coroners services.

The Audit and Standards Committee noted the contents of the internal audit work completed in the period 1 January 2015 to 31 March 2015.

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Chair

Item 5

Audit and Standards Committee

9th September 2015

External Auditors Annual Governance Report 2014/15

Recommendations

The Committee is asked to:

1) Endorse and comment on the Annual Governance Report of the External Auditors for Warwickshire County Council, attached at **Appendix A**, and consider whether there are any matters you wish to bring to the attention of Council.

2) Approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at **Appendix B**.

1.0 Purpose of the Report

1.1 Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the County Council's financial statements before issuing their final opinion. Their report for 2014/15 is attached at **Appendix A**. This report is in addition to the usual Audit Management Letter which will be presented to this Committee later this year. A separate annual governance report is required for the Warwickshire Pension Fund; this can be found elsewhere on today's agenda.

1.2 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Head of Finance and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of their knowledge.

1.3 The Audit and Standards Committee are asked to approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation for the County Council (**Appendix B**). The final version of the letters will be signed by the Chair of the Council and the Head of Finance when the accounts are approved by Council on 24 September 2015.

1.4 The External Auditors reported at this meeting in September last year that an objection to the Accounts had been received. This has now been resolved and the External Auditors have now issued their completion certificate for the Statement of Accounts 2013/14.

1.5 The Engagement Partner for Grant Thornton and the Audit Manager will attend the meeting to present their report.

2.0 Background Papers

None

	Name	**Contact Information**
Report Author	Virginia Rennie	vrennie@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Alan Cockburn	alancockburn@warwickshire.gov.uk

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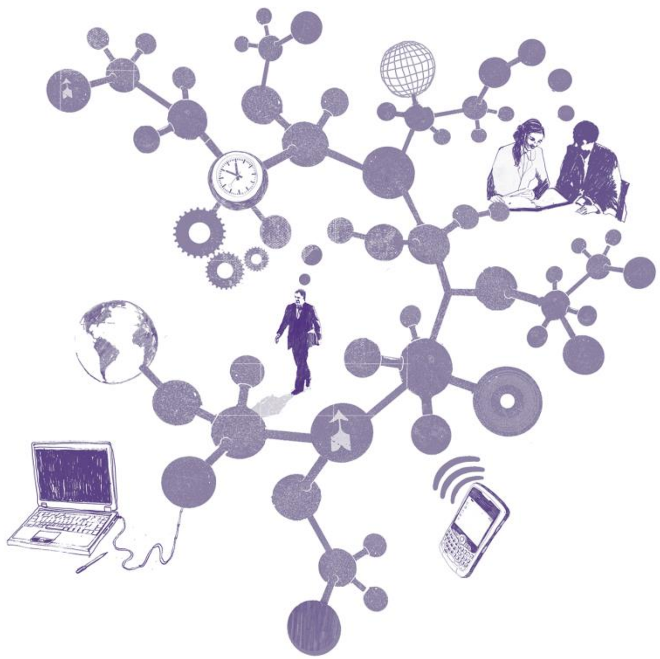
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

The Audit Findings for Warwickshire County Council

Year ended 31 March 2015

17 August 2015



John Gregory
Director
T 0121 232 5333
E john.gregory@uk.gt.com

Andrew Reid
Senior Manager
T 0121 232 5289
E andrew.s.reid@uk.gt.com

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Warwickshire County Council
Shire Hall
Warwick
Warwickshire
CV34 4RA

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT
[T +44121 212 4000
www.grant-thornton.co.uk

17 August 2015

Dear Sirs

Audit Findings for Warwickshire County Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Warwickshire County Council, the Audit and Standards Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

John Gregory
Director

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Warwickshire County Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 29 January 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- receipt of bank confirmation requests in relation to a sample of schools accounts
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

We have identified no adjustments affecting the Council's reported financial position. Our technical team undertook a review of the Council's 2013/14 published accounts which identified some potential presentational or disclosure issues. We have discussed these with the Council's officers who have made a number of amendments to the 2014/15 accounts as a result.

There are no unadjusted misstatements identified as a result of our audit.

Further details are set out in section two of this report.

Value for Money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

Roles and responsibilities
The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings
Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward
Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
August 2015

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Standards Committee on 12 February 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 12 February 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition, • Opportunities to manipulate revenue recognition are very limited, • The culture and ethical frameworks of local authorities, including Warwickshire County Council mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • obtained assurance on the completeness of the subsidiary system interfaces • cut off testing of after date payments, purchase orders and goods received notes • a review of the accruals process.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • review of payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements. • review of monthly trend analysis of total payroll • Review of year end payroll accruals.	Our audit work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management

	Significant matter	Commentary
1.	Business conditions affecting the Council, and business plans and strategies that may affect the risks of material misstatement	We have discussed the current financial environment in which the Council operates, the budget setting process for 2015/16, and progress to date on delivery of the One Organisational Plan 2014-18 to inform our Going Concern assessment. **Management response** • Management have confirmed that they consider that the Council remains a going concern.
2.	Accounting for Local Authority Maintained Schools	We have discussed the approach taken by the Council to ensure compliance with the 2014/15 Code of Practice on Local Authority Accounting requirements in relation to accounting for Local Authority maintained schools. We have reviewed the reasonableness of the approach taken by the Council as set out in the paper presented to the Audit & Standards Committee in June 2015 and reviewed the supporting evidence collated by the Council to support the implementation of this approach. **Management response** • Management have set out their approach to accounting for Local Authority maintained schools in a paper to the Audit & Standards Committee in June 2015.
3.	Valuation of Property, Plant and Equipment	We have discussed the approach taken by management to obtain suitable assurances that the carrying value of Property, Plant and Equipment as at 31 March 2015 is not materially different to fair value. **Management response** • Management have confirmed that they have considered the potential for significant movements in asset values in 2014/15 and obtained assurances from the valuer, and are satisfied that there has not been a material movement in values for assets not revalued since 31 March 2014.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	The accounting policy recorded in the notes to the accounts is as follows: • '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 do 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.' • In relation to Government grants the policy is as follows: '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.'	The policies are considered appropriate under the accounting framework	● Green
Estimates and judgements	The Council has disclosed the key judgements within the notes to the accounts as relating to: • There is a high degree of uncertainty about future levels of funding for local government. • Local Authority maintained schools contribute to meeting the Council's service objectives both now and in the future and therefore their expenditure, income and the assets they use in the provision of services should form part of the accounts. • Schools transferring to academy status are accounted for 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. • The Council is not required to prepare group accounts. The Council has disclosed the following sources of estimation uncertainty within the notes to the accounts • Valuation of PPE • Valuation of the pensions liability.	The judgements and estimates used by the Council appear reasonable	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements - local authority maintained schools land and buildings	Local Authority maintained schools contribute to meeting the Council's service objectives both now and in the future and therefore their expenditure, income and the assets they use in the provision of services should form part of the accounts.	The Council has concluded that for 2014/15 it is appropriate to include both land and buildings for Local Authority maintained schools on its balance sheet . We have reviewed the Council's policy with reference to: • The appropriateness of the policy under the CIPFA Code and IFRS (specifically IAS16) • The extent of judgements involved • Potential financial statement impact of different assumptions • The adequacy of disclosure of accounting policy • Benchmark against peers/industry practice We are satisfied that the policy as set out is reasonable and based on an assessment by the Council of the requirements of relevant accounting standards.	● Green
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	● Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Confirmation requests from third parties**	• We obtained direct confirmations for PWLB loans and requested from management permission to send confirmation requests for bank and investment balances . This permission was granted and the requests were sent and returned with positive confirmation.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses..

The controls were found to be operating effectively and we have no matters to report to the Audit and Standards Committee.

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Adjusted misstatements

No adjustments to the draft financial statements were identified during the audit process

Unadjusted misstatements

No non-trivial unadjusted misstatements were identified during the audit process.

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Impact of uncorrected misstatements in the prior year

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
1	Difference of valuation on assets for which revalued amount not incorporated within the financial statements – as reported in 2013/14	0	£1,264k	Adjustment was made to opening balances in the 2014/15 asset register and so has been corrected in 2014/15.
	Adjustment made in 2014/15	0	(£1,264k)	
	Impact on 2014/15 financial statements	**£0**	**£0**	

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Misclassification & disclosure changes

A number of presentational and/or disclosure changes were made to the draft accounts during the audit process. The most significant of these are set out below.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Note 13 – Financial Instruments	Draft Financial Instruments note has been re-worked to ensure that full disclosure requirements of the Code have been met.
2	Disclosure	n/a	Note 20 – Pension Reserve	Draft Pensions Reserve note has been amended to show movements in year as required per the Code.
3	Presentational	n/a	Various	A number of changes to wording & terminology have been made throughout the draft accounts

Section 3: Value for Money

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is facing consideration challenges around its medium term financial resilience but has responded effectively through the development and agreement of its One Organisational Plan "Shaping the Future" financial strategy which covers the period 2014 to 2018. It has made good progress in delivery of the first year of this plan in 2014/15, and was able to secure savings of £18m. Further details are given later in this section.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	2013/14 rating	2014/15 rating
Key indicators of performance	The Council delivered an underspend on controllable budgets of £9.122m for 2014/15.	Green	Green
Strategic financial planning	The Council approved a new One Organisational Plan "Shaping the Future" in February 2014 which sets out the extent of the financial challenges it faces - £92m of savings are required between 2014 and 2018. The plan was prepared following extensive consultation with local taxpayers, members and other stakeholders. The Council has reviewed progress against this plan for year 1 and has concluded that it is currently on track with delivery. All business units met 2014/15 savings targets, with an overall savings of £18m being delivered.	Green	Green
Financial governance	Members and officers have a clear understanding of the Council's financial environment and the extent of the financial challenges it faces. It has comprehensive financial and performance monitoring arrangements in place with reporting through the Corporate Board, Cabinet, Overview & Scrutiny Committee and full Council.	Green	Green
Financial control	In 2013/14 the Council experienced significant variances between forecast outturn at Q3 and actual outturn at Q4, and as a result implemented a more pro-active review process around financial forecasting and reporting. The Council delivered an underspend on controllable budgets of £9.122m for 2014/15, which was only £1.774m higher than the forecast at Q3.	Amber	Green
Prioritising resources	Members have shown clear leadership and identification of priorities through the process of preparing and approving the One Organisational Plan "Shaping the Future" in February 2014.	Green	Green
Improving efficiency & productivity	There is no evidence that the Council's on-going implementation of savings has had an adverse impact on service delivery in key priority areas. It rated 4 of 22 key outcome targets as "Red" for 2014/15 which is in line with the level of targets rated as such in 2013/14.	Green	Green

Section 4: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	126,052	126,052
Objection to the 2013/14 accounts	-	4,815*
Total audit fees	**126,052**	**130,867**

*Fee subject to agreement by Public Sector Audit Appointments Ltd.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Fees for other services

Service	Fees £
Audit related services Teachers Pension grant certification	 4,200
Non audit related services	Nil

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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Appendices

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Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

We have audited the financial statements of Warwickshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Foreword by the Head of Finance, Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance's Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:
give a true and fair view of the financial position of Warwickshire County Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword by the Head of Finance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Warwickshire County Counci put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of Warwickshire County Council included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2015. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

John Gregory

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

September 2015

DRAFT

[*Warwickshire County Council Letterhead***]**

John Gregory
Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

xx September 2015

Dear Sirs

Warwickshire County Council
Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Warwickshire County Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance with these proper accounting practices.

ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

vii Except as stated in the financial statements:

a) there are no unrecorded liabilities, actual or contingent
b) none of the assets of the Council has been assigned, pledged or mortgaged
c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.

ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii The financial statements are free of material misstatements, including omissions.

xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:
  a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  b) additional information that you have requested from us for the purpose of your audit; and
  c) unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xvi We have communicated to you all deficiencies in internal control of which management is aware.

xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  a) management;
  b) employees who have significant roles in internal control; or
  c) others where the fraud could have a material effect on the financial statements.

xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 9 September 2015.
Signed on behalf of the Council

Name:	John Betts	Name:	Councillor Bob Stevens
Position:	Head of Finance	Position:	Chair of the Council
Date:	xx September 2015	Date:	xx September 2015

Audit and Standards Committee

9th September 2015

Statement of Accounts 2014/15

Recommendation

The Committee is asked to consider the 2014/15 Statement of Accounts and recommend them to Council for approval.

1.0 Purpose of the Report

1.1 This report presents the Statement of Accounts for 2014/15.

1.2 The Statement of Accounts for Warwickshire County Council comprises of:

- The statement of responsibilities for the accounts
- An explanatory introduction by the Head of Finance
- The core financial statements, comprising:
  - The movement in reserves statement
  - The comprehensive income and expenditure statement
  - The balance sheet as at 31 March 2015
  - The cash flow statement
- The statement of accounting policies
- The notes to the core financial statements
- The Fire-fighters Pension Fund Statement

1.3 A recommendation to Council of the Annual Governance Statement, which will form part of the County Council's 2014/15 Statement of Accounts when they are published, is sought as a separate report on today's agenda. The Warwickshire Pension Fund is a separate body and, as such, has its own statement of accounts. A report seeking a recommendation in respect of the 2014/15 Warwickshire Pension Fund Statement of Accounts is also elsewhere on today's agenda.

1.4 Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS) and also the accounting and financing regulations of central government.

1.5 This covering report explains the key features of the primary statements and notes that make up the 2014/15 Statement of Accounts. The explanatory introduction provides further information on the key issues for the benefit of readers of the statements.

1.6 The Committee is asked to consider the 2014/15 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval, highlighting any issues that they wish to bring to Council's attention. Following their approval by Council the Statement of Accounts will be published, in accordance with regulations, by the end of September.

2.0 Explanatory Foreword

2.1 The purpose of the explanatory foreword is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the explanatory foreword is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 11 June 2015.

3.0 Core Financial Statements

3.1 Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2013/14 and 2014/15.

3.2 Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in a standard format as set out by the 'service reporting code of practice for local authorities'. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Is a catch-all for items which are not allowed to be accounted for elsewhere, such as

increases in the value of land and buildings and changes in the actuarial assessment of pensions assets/liabilities.

3.3 Balance Sheet

The balance sheet is a ‘snapshot’ of the authority’s financial position at a point in time, showing what it owns and owes at 31 March 2015. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

3.4 Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

4.0 Accounting Policies and Notes to the Core Financial Statements

4.1 The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them. A change of accounting policy relating to the accounting treatment of local authority maintained schools was required by the Accounting Code of Practice this year. Our accounting policy for the implementation of this new requirement was approved by this Committee on 4 June 2015. The result was an addition of property, plant and equipment valued at £325 million to the assets in our Balance Sheet and a restatement of our Balance Sheets as at 31 March 2013 and 2014, as if the policy had always applied.

4.2 The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and include a lot of technical terms. However, the additional disclosures include important information and provide the context for the figures in the core financial statements.

5.0 Fire-fighters Pension Fund Statement

5.1 It is unusual for an unfunded pension scheme (such as the fire-fighters scheme) to have a fund as it holds no assets that need to be ringfenced. We collect in the Fund contributions receivable from Warwickshire County Council (as the employer) and firefighters (employee) contributions and pay out any benefits due. The Fund is then balanced to nil at the end of each financial year by either paying over or receiving pension fund top-up grant from the government.

6.0 Audit Status

6.1 The attached 2014/15 Statement of Accounts has been audited and the Annual Governance Report from the external auditors, Grant Thornton is elsewhere on today's agenda.

6.2 The audit opinion is also included in that auditors report and will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Head of Finance following approval of the accounts at Council on 24 September 2015. A letter of representation is provided in connection with the audit of the 2014/15 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief (having made appropriate enquiries that the financial statements give a true and fair view.

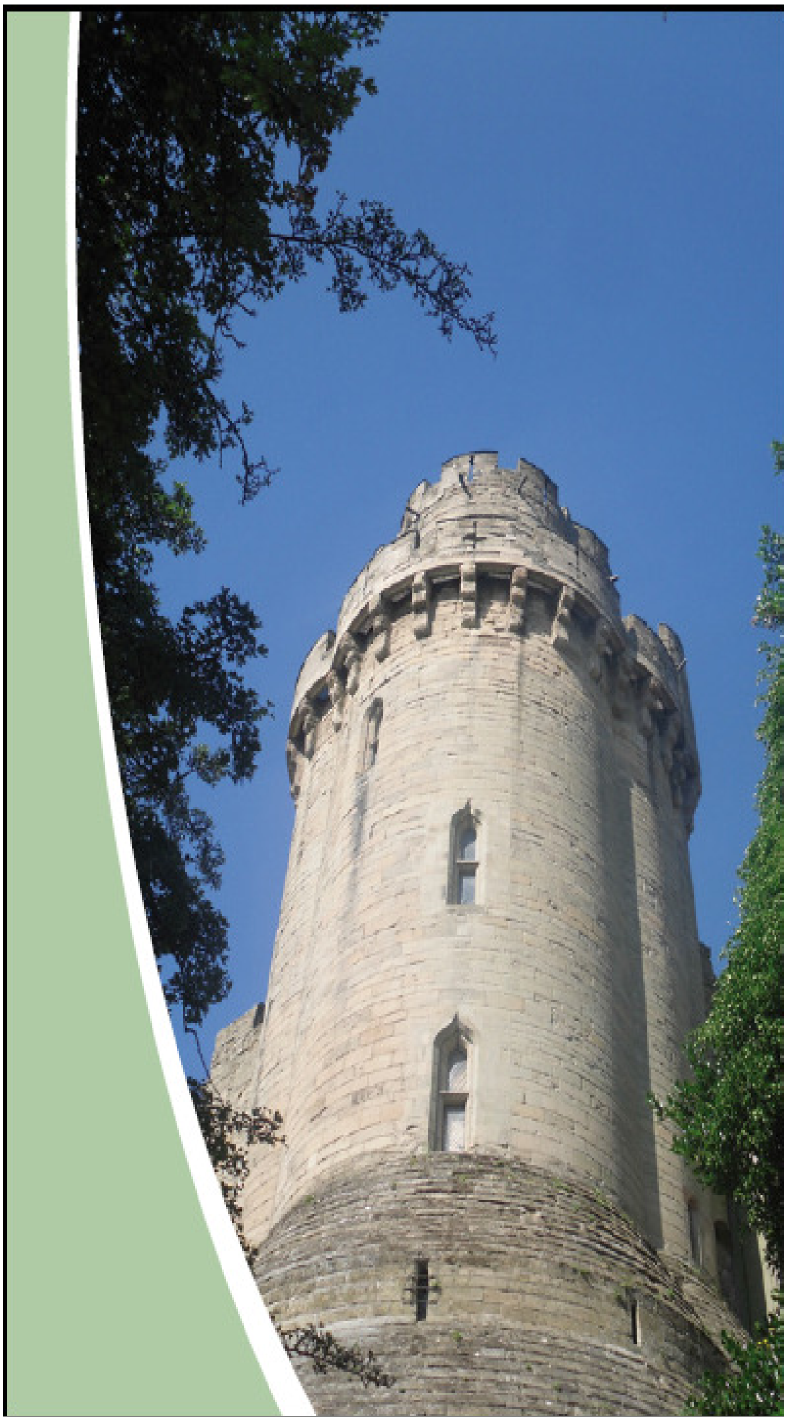
6.3 The approved accounts will be published alongside the authority's Annual Governance Statement (elsewhere on the Agenda) together with the signed audit opinion by 30 September 2015 in line with statutory regulations.

7.0 Background Papers

None

	Name	**Contact Information**
Report Author	Virginia Rennie	vrennie@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Alan Cockburn	alancockburn@warwickshire.gov.uk

Warwickshire County Council



Statement of Accounts and Annual Governance Statement

2014/15

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.

Contents

Notes to the core financial statements

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

Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly, in line with the Accounts and Audit Regulations 2011.

Responsibilities of the Council

We do the following:

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

Responsibilities of the Head of Finance

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

In preparing our statement of accounts, I have:

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

I have also:

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

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

John Betts
Head of Finance **Date: 24 September 2015**

Councillor Bob Stevens
Chair of the Council **Date: 24 September 2015**

Foreword by the Head of Finance

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

Introduction

I am pleased to introduce our Financial Accounts for 2014/15. They represent the financial results of the delivery of the first year of our 2014-2018 One Organisational Plan. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year. This explanatory foreword is set out in two parts. The first provides some key information that summarises our financial performance in 2014/15. The second part provides information on how the Financial Accounts for 2014/15 are set out to help you navigate through what is at times a quite technical pack of information. This level of information is required to ensure we comply with proper accounting practices and meet strict reporting requirements laid out by International Financial Reporting Standards (IFRS).

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

Public inspection

It is important that members of the public have the opportunity to provide comment and question our Statement of Accounts. Therefore the Statement of Accounts for 2014/15 was available for inspection from 9 July 2015 to 5 August 2015. The formal audit of our accounts began on 22 June 2015 and we received an unqualified opinion on the Statement of Accounts on xx September 2015. This means that in the External Auditors' opinion our accounts give a true and fair view of the financial position of the County Council.

Capital and revenue spending

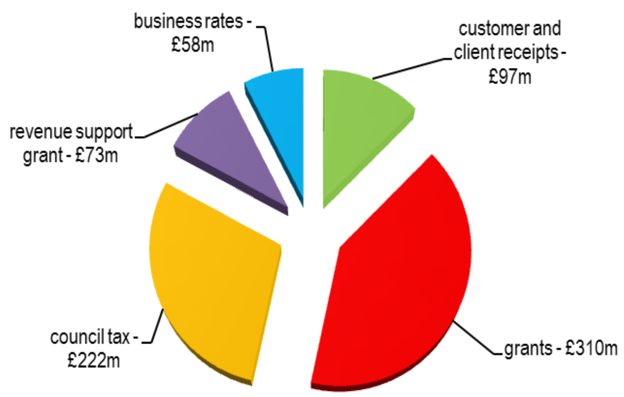
We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Our capital spending relates to items we have bought and which will be used for more than one year. An amount is charged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

Revenue spending – what we have received and spent

This section provides a high level summary of the sources of income we have used in 2014/15 and sets out the ways in which this has been spent.

How we received our money

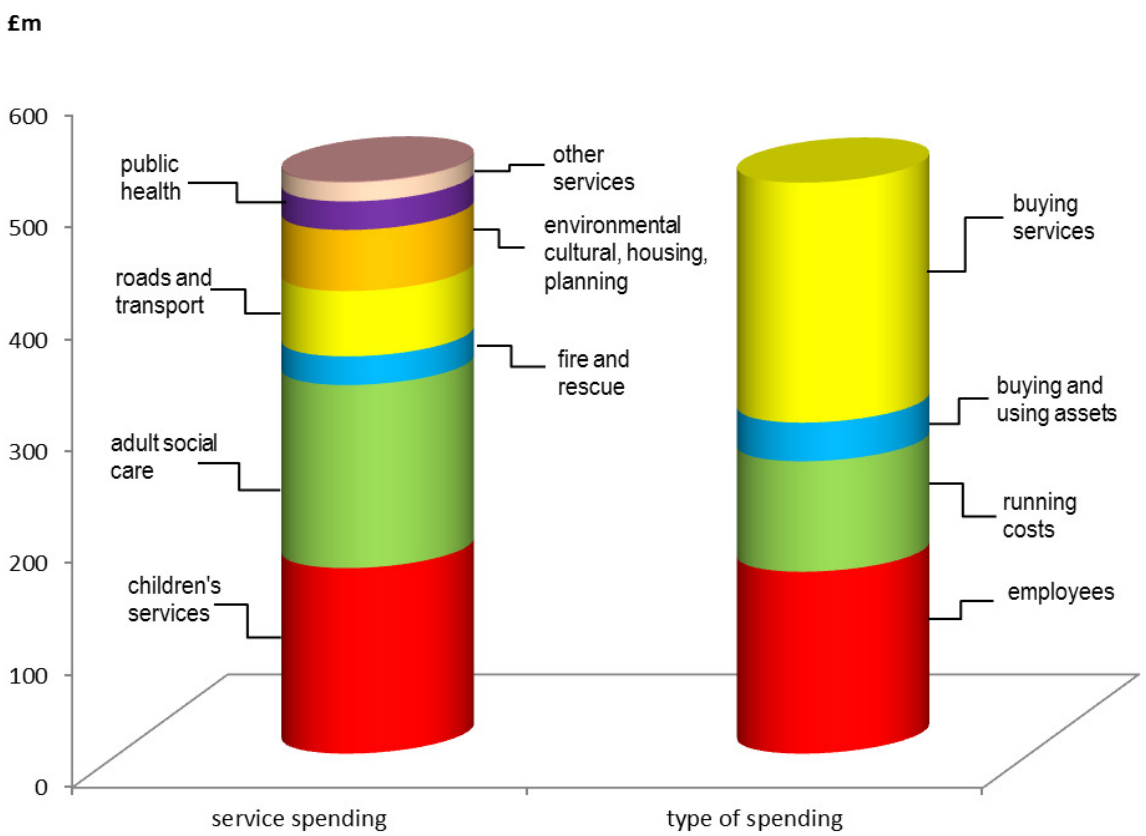
Our total revenue income in 2014/15 was £760 million. £238 million was used by schools, £510 million was used to fund our services and the balance of £12 million has been set aside for use in future years.



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

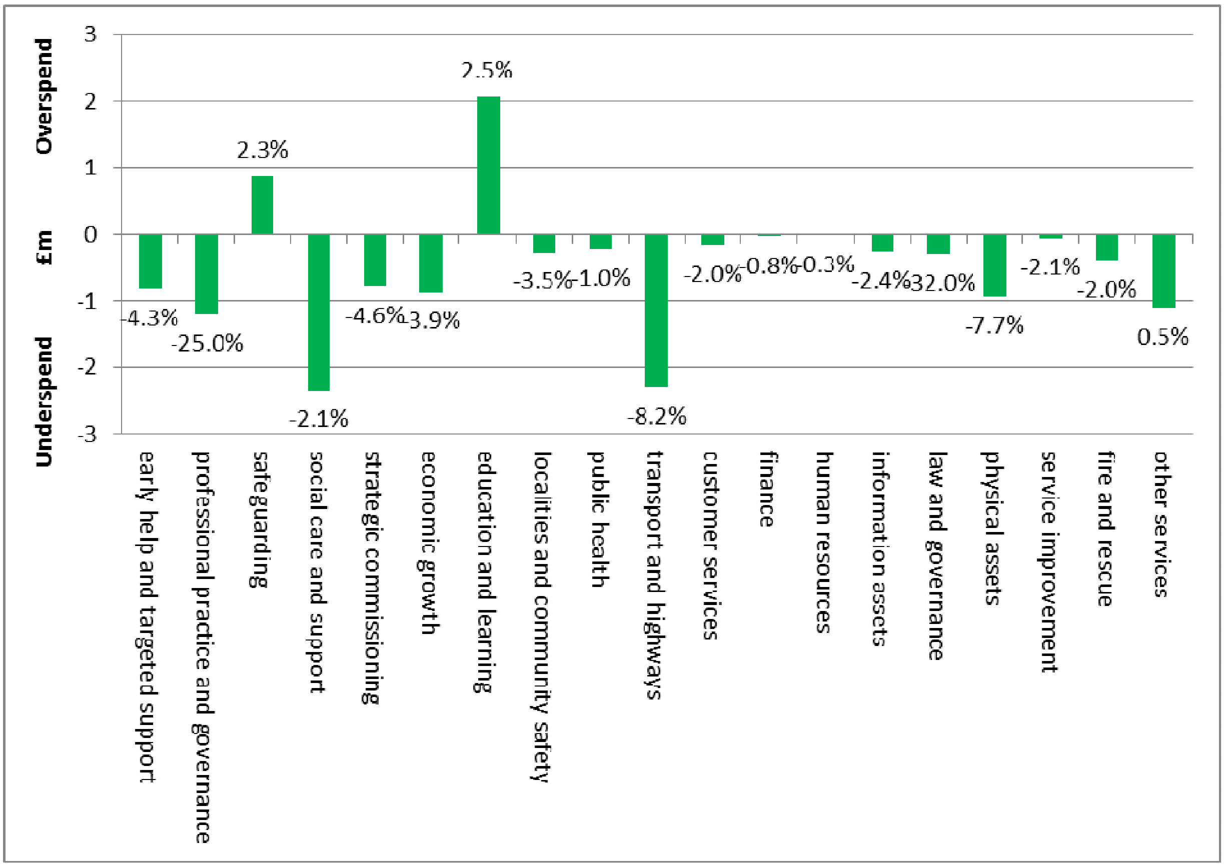
This income is from council tax (29%) and our share of business rates (8%), with 50% from government grant and 13% from customer and client receipts.

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



Revenue spending compared to our plans

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



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

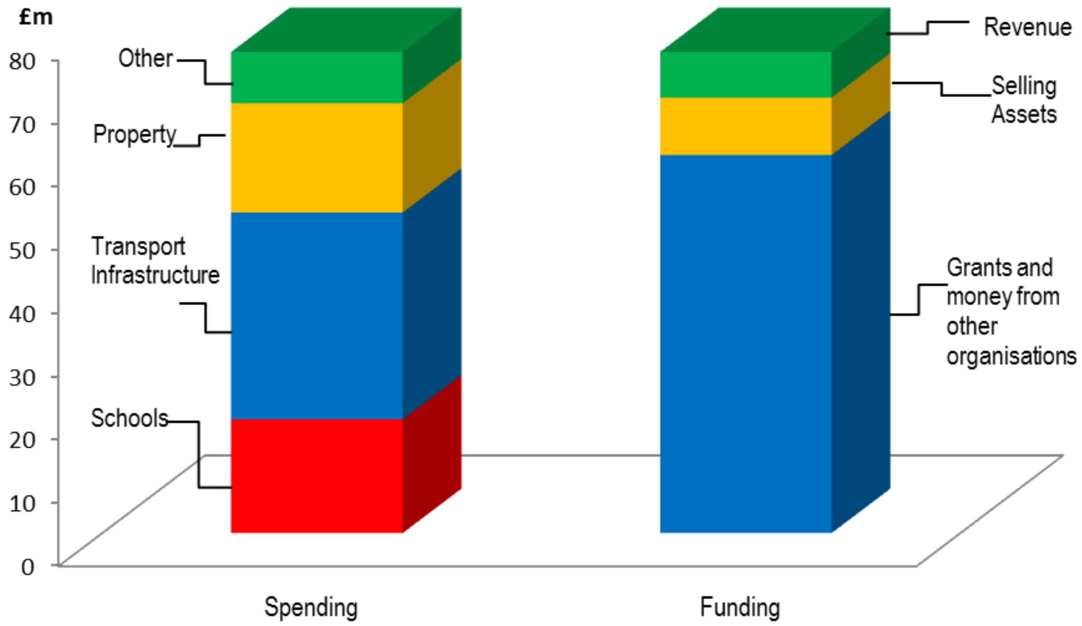
- Services spent £9 million less than their cash-limited budget.
- The planned £3 million contribution to reserves in 2014/15 was increased by the £9 million underspend and so we increased our reserves by £12 million.
- This funding is available to support investment and the delivery of savings over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

Savings and efficiencies

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

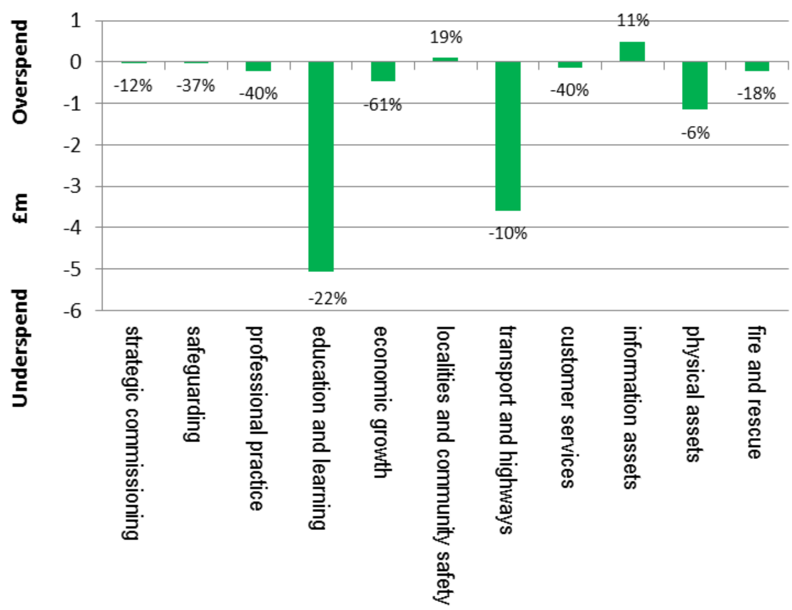
Capital spending

We spent £76 million on the purchase and creation of assets in 2014/15. Further details on the sources of finance and the areas of spending are provided in the chart.



Capital spending compared to our plans

Our spending was £10 million less than our estimate of £86 million. This underspend was due to delays on individual projects. This spending is expected to be incurred in 2015/16.



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

Our performance is monitored by Cabinet through the quarterly One Organisational Plan Progress report, which combines financial reporting with performance reporting. You can get more information on our overall 2014/15 revenue and capital spending and the delivery of our planned savings in the end-of-year One Organisational Plan Progress report to Cabinet on 11 June 2015 (https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx)

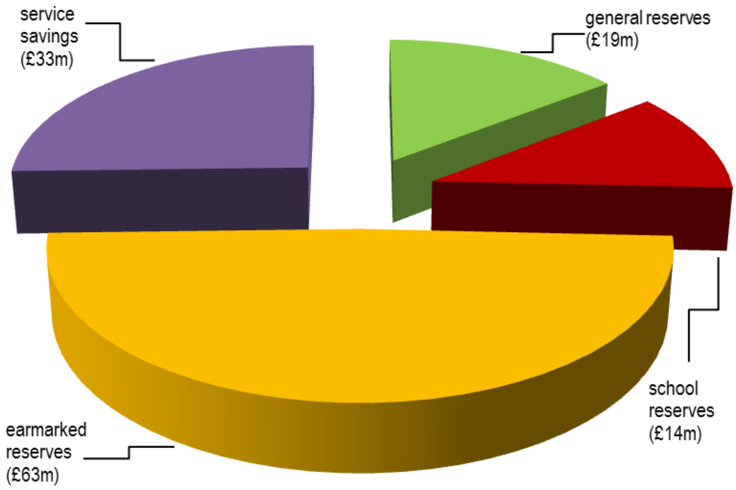
The value of our assets

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

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

Reserves

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



At 31 March 2015 our usable revenue reserves are £129 million. A breakdown is shown in the chart on the left.

Pensions

At 31 March 2015 our pensions' liability was £827 million, an increase of £162 million over the year. Whilst this is shown as a long-term liability in our accounts, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and mean that our financial position remains healthy.

Borrowing and investments

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

The key highlights of the Council's Treasury Management activities in 2014/15 are:

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

- We have managed the Council's money prudently, with investments made to the UK Debt Management Office and to other local authorities in line with our Treasury Management Strategy;
- Total long-term debt outstanding is £378 million at 31 March 2015 compared to £384 million at 31 March 2014; and
- At 31 March 2015 we are holding £148 million of cash or cash equivalents, a decrease of £4 million from the previous year.

The 2014-18 One Organisation Plan

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

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

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

We have put in place a budget and medium term financial plan within which the 2014-18 One Organisation Plan will be delivered. The 2014/15 outturn does not require any changes to this plan. Our Plan assumes a 1.99% annual uplift in council tax, although this will be subject to review and ratification in February each year. Within the overall medium term financial plan specific funding allocations to services will be adjusted to reflect changing levels of need within our communities and political priorities.

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

- An allocation of £32 million for the estimated cost of inflation at a local level over the period 2015-18;
- A further allocation of £5 million a year to respond to spending pressures that emerge to ensure we have in place a medium term financial plan that is financially resilient;
- A plan for the delivery of a further £51 million savings to ensure the budget is sustainable. The savings have been identified from all areas of activity and will be delivered in a phased manner between now and 31 March 2018;
- A limit on capital spend funded from borrowing and capital receipts (excluding schools) to £20 million a year to reduce the authority's level of outstanding debt; and
- Using our capital resources to support the growth of the local economy through investment in infrastructure. This will not only stimulate economic growth but deliver a positive and sustainable economic impact for the people of Warwickshire.

You can get more information on 2014-18 financial plans in the report on the service estimates to Cabinet on 17 March 2015 https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx and in the 2014-18 Plan in the report to Council on 25 February 2014 https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx

Content and Format of the Statement of Accounts

Core Financial Statements

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

Comprehensive Income and Expenditure Statement	Balance Sheet
An accounting surplus of £16.8 million for 2014/15 has been reported; the outturn position is an £11.6 million surplus. *This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, impairment and pensions charges.*	**A decrease of £127.3 million in County Council net assets as at 31 March 2015.** *The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2015 the County Council's net worth was £300.6 million.*
Cash Flow Statement	**Movement in Reserves Statement**
A net cash outflow of £4.3 million in 2014/15 in cash or cash equivalents. *This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.*	**An increase of £11.2 million in County Council usable reserves.** *This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.*

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

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

Other Information in the Annual Financial Report and Statement of Accounts

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

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

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

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

Concluding remarks

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

John Betts
Head of Finance

Movement in Reserves Statement

Movement in Reserves Statement - 2014/15	General Fund £ m	Earmarked Reserves £ m	Capital Fund £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2014	**18.4**	**98.5**	**0.9**	**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	**16.8**	0.0	**16.8**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	**0.0**	-144.1	**-144.1**
Total Comprehensive Income and Expenditure	**16.8**	**0.0**	**0.0**	**0.0**	**16.8**	**-144.1**	**-127.3**
Adjustments between accounting basis & funding basis under regulations (note 1)	-5.2	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**	**-0.4**	**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**
Increase / Decrease (-) in Year	**0.4**	**11.1**	**0.1**	**-0.4**	**11.2**	**-138.5**	**-127.3**
Balance at 31 March 2015	**18.8**	**109.6**	**1.0**	**6.9**	**136.3**	**164.3**	**300.6**

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

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

Comprehensive Income and Expenditure Statement

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

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

Balance Sheet as at 31 March 2015

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

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

John Betts
Head of Finance
24 September 2015

Cash Flow Statement

Year ended 31 March 2014 Restated £ m	Cash Flow Statement	Year ended 31 March 2015 £ m
14.2	Operating activities (note 21)	16.8
20.4	Investing activities (note 22)	-33.9
-5.6	Financing activities (note 23)	-2.7
29.0	**Net increase or decrease in cash and cash equivalents**	**16.8**

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

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 2014/15 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of income and expenditure

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

Assets held for sale

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

Cash and cash equivalents

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

Contingent assets

We have identified contingent assets where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 34 to the accounts on page 58. These are not included in our Balance Sheet.

Contingent liabilities

We have identified contingent liabilities where either:

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

Our contingent liabilities disclosure is shown in note 35 to the accounts on page 58. These are not included in our Balance Sheet.

Employee benefits

Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

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

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

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

All four schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes, our accounting policies in relation to them and their impact on the financial statements are shown in note 39 on pages 62 to 73.

Events after the Balance Sheet date

We have to consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Head of Finance.

Exceptional items, prior period adjustments and changes to accounting policies

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

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

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

Financial assets

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

Loans and receivables

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

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

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

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

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

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

Available-for-sale assets

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

Financial liabilities

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

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

Government grants

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

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

Heritage assets

Our heritage assets are held due to their cultural, environmental or historic associations making their preservation for future generations important. We value our museum collections, valuables at the Courts, Judges House and Shire Hall at their insurance valuations. The Golden Tower of 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. Up to 4% of a capital receipt may be used to meet these disposal costs.

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

Intangible assets

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

Comprehensive Income and Expenditure Statement. Intangible assets are initially valued at historic cost (the cost at which they were acquired).

Inventories

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

Investment property

Investment property assets are those held for rental purposes or capital value appreciation. They are not used for the delivery of services. It is initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. For investment property, fair value is the amount for which the asset could be exchanged for between knowledgeable parties at arms-length. Gains and losses on revaluation are shown in the financing and investment income and expenditure line as disposal as well as any rental income in the Comprehensive Income and Expenditure Statement.

Leases

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

<u>Finance leases</u>

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.

<u>Operating leases</u>

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

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

Minimum Revenue Provision

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

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

Overheads and support service costs

In accordance with the CIPFA Service Reporting Code of Practice 2014/15 all support service costs are apportioned fully to services on a relevant basis. These include employee numbers, IT network access users and gross spend. The two categories of cost that are not charged out to services are corporate and democratic core costs and non-distributed costs (see glossary).

Property, plant and equipment

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

Recognition

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

Measurement

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

The closing balances on 31 March 2015 were valued in the following ways:

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

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

Impairments and revaluation losses

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

Depreciation

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

The cost of depreciation is calculated according to the following:

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

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

As part of the revaluation of our land and buildings estate in 2013/14 valuers supplied new estimates of our assets' useful economic lives. These estimates are reflected in the depreciation charges for 2014/15.

Provisions

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

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

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

Reserves

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

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

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

- The capital accounting system requires us to maintain a number of accounts/reserves in the Balance Sheet. Details of the purpose and movements in these reserves (the Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and the Available for Sale Financial Instruments Reserve) are shown in note 19 to the accounts on page 46.
- We keep a separate reserve to hold unused cash we receive from non-current assets. This is described in the Balance Sheet as the 'Capital Receipts Reserve'.
- We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a reserve called 'Capital Grants Unapplied' if there are no remaining conditions on their use.
- We maintain a 'Collection Fund Adjustment Account' which holds the difference between the amount required to be shown in the Comprehensive Income and Expenditure Statement for council tax and business rates and that required by legislation to be taken against the General Fund.
- We maintain a Compensated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax.

Revenue expenditure funded from capital under statute

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

School Assets

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

VAT

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

Notes to the Core Financial Statements

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

Adjustments between accounting basis and funding basis under regulations - 2014/15	General Fund Balance £ m	Capital Fund £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
~ Charges for depreciation of non-current assets	38.0				-38.0
~ Revaluation losses on property, plant and equipment non-current assets	0.6				-0.6
~ prior period adjustments revaluatiosn 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**	**0.0**	**-0.4**	**5.6**

Adjustments between accounting basis and funding basis under regulations - 2013/14 Restated	General Fund Balance £ m	Capital Fund £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
~ Charges for depreciation of non-current assets	47.0				-47.0
~ Revaluation losses on property, plant and equipment assets	66.1				-66.1
~ Gain on held for sale assets	0.1				-0.1
~ Movements in the market value of investment properties	-1.0				1.0
~ Amortisation of intangible assets	0.5				-0.5
~ Capital grants and contributions applied	-46.0				46.0
~ Revenue expenditure funded from capital under statute	9.3				-9.3
~ Amounts of non-current assets written off on disposal to the CIES	50.6				-50.6
Insertion of items not debited or credited to the CIES					
~ Statutory provision for the repayment of debt	-16.7				16.7
~ Capital expenditure charged to the General Fund Balance	-13.4				13.4
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Capital Grants and contributions unapplied credited to the CIES	3.3			-3.3	0.0
~ Application of Grants to capital financing transferred to Capital Adjustment Account	-7.2			7.2	0.0
Adjustments primarily involving the Capital Receipts Reserve					
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-16.2		16.2		0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure			-16.2		16.2
~ Contribution from Capital Receipts Reserve to administrative costs of non- current asset disposals	-0.6	0.6			0.0
Adjustments primarily involving the Financial Instruments Adjustment Account					
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1				-0.1
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire-fighters pension liabilities	-3.7				3.7
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	74.8				-74.8
~ Employers pensions contributions and direct payments to pensioners payable in the year	-35.3				35.3
Adjustments primarily involving the Collection Fund Adjustment Account					
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-3.7				3.7
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	1.1				-1.1
Adjustment primarily involving the Accumulated Absences Account					
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.9				-1.9
Total adjustments	**111.0**	**0.6**	**0.0**	**3.9**	**-115.5**

Note 2: Transfers to/from earmarked reserves

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

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: Restatement of prior year figures

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

Note 4: Other operating expenditure

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

Note 5: Financing and investment income and expenditure

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

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

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

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 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**

Segmental reporting analysis 2013/14	**People Group £ m**	**Communities Group £ m**	**Fire and Rescue Service £ m**	**Resources Group £ m**	**Other Services £ m**	**Schools £ m**	**Total £ m**
Fees, charges and other service income	-39.7	-21.8	-0.2	-12.3	-1.2	-18.8	-94.0
Government grants	-4.6	-2.7	0.0	-0.1	-187.9	-275.1	-470.4
Interest and investment income	0.0	0.0	0.0	0.0	-1.1	0.0	-1.1
Total income	-44.3	-24.5	-0.2	-12.4	-190.2	-293.9	-565.5
Employee expenses	66.8	25.1	16.3	48.7	-5.9	194.7	345.7
Other service expenses	244.6	87.5	4.5	14.2	49.6	65.3	465.8
Support service recharges	19.2	8.1	2.9	-33.3	3.4	0.0	0.3
Total operating expenses	330.6	120.7	23.7	29.6	47.2	260.0	811.8
Cost of services	**286.3**	**96.2**	**23.5**	**17.2**	**-143.0**	**-33.9**	**246.3**

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

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

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

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

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**

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

Note 8: Property, plant and equipment

Property, plant and equipment Restated	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**

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

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

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2013	640.3	7.2	55.3	433.5	3.5	28.8	1,168.6
Depreciation balance at 1 April 2013	-62.8	0.0	-33.0	-101.4	-0.3	0.0	-197.5
Gross book Value Prior Period Adjustment	325.0	0.0	0.0	0.0	0.0	0.0	325.0
Restated Net book value at 1 April 2013	**902.5**	**7.2**	**22.3**	**332.1**	**3.2**	**28.8**	**1,296.1**
Changes in the year							
~ reclassifications	-17.1	-0.5	0.0	0.0	0.0	0.0	-17.6
~ spending on assets	19.8	0.1	3.5	26.0	0.4	16.2	66.0
~ transfer of assets under construction to operational assets on project completion	14.6	0.0	0.0	8.9	0.0	-23.6	-0.1
~ value of assets we have sold/transferred	-41.0	0.0	-2.2	0.0	0.0	-0.2	-43.4
~ changes in the value of assets: revaluation	-121.5	-3.2	0.0	0.0	-0.7	0.0	-125.4
~ reversal of prior year impairments and revaluation losses	40.4	0.2	0.0	0.0	0.1	0.0	40.7
Depreciation							
~ opening balance adjustment	-1.0	-0.1	1.1	0.0	0.0	0.0	0.0
~ reclassifications	0.3	-0.3	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	84.9	0.4	0.0	0.0	0.4	0.0	85.7
~ depreciation written off on disposal	4.2	0.0	2.1	0.0	0.0	0.0	6.3
~ depreciation	-26.7	-0.1	-5.7	-14.4	-0.1	0.0	-47.0
Restated Net book value at 31 March 2014	**859.4**	**3.7**	**21.1**	**352.6**	**3.3**	**21.2**	**1,261.3**
Gross book value at 31 March 2014	860.5	3.8	56.6	468.4	3.3	21.2	1,413.8
Depreciation balance at 31 March 2014	-1.1	-0.1	-35.5	-115.8	0.0	0.0	-152.5
Restated Net book value at 31 March 2014	**859.4**	**3.7**	**21.1**	**352.6**	**3.3**	**21.2**	**1,261.3**

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

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

Depreciation – see accounting policies on page 29.

Capital commitments
At 31 March 2015, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2015/16 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for totals £26.7 million. Similar commitments at 31 March 2014 were £16.6 million.

The four largest outstanding commitments are as follows:

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

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

Revaluations
See Accounting Policies on page 28.

Note 9: School property plant and equipment

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

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

Table may not sum due to roundings

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

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

Table may not sum due to roundings

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

Table may not sum due to roundings

Note 10: Heritage assets

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

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

Note 11: Investment properties

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

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement:

31 March 2014 £ m	Investment properties	31 March 2015 £ m
-0.3	Direct net operating expense arising from investment property	0.0
-0.3	**Net gain/loss (-)**	**0.0**

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

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

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

Note 12: Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suite for HR and the financial suite is 10 years. They are valued at historic cost.

We do not hold any patents. We have not incurred any spending on software licences and development in 2014/15 (£0.1 million in 2013/14). We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years) as above. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.5 million charged to revenue in 2014/15 was charged to a number of services, some of which was absorbed as an overhead and charged across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Software licences we have bought 2013/14 £ m	Intangible assets	Software licences we have bought 2014/15 £ m
3.9	Gross book Value at 1 April	3.7
-1.7	Amortisation balance at 1 April	-2.0
2.2	**Net book value at 1 April**	**1.7**
	Changes in the year	
0.0	~ Opening Balance Adjustment	0.1
0.1	~ Spending on assets	0.0
0.0	~ Transfer from work in progress to complete	0.5
-0.3	~ Value of assets we have sold	0.0
	Amortisation	
-0.1	~ Opening balance adjustment	0.1
0.2	~ Depreciation written off on disposal	0.0
-0.4	~ Amortisation	-0.5
1.7	**Net book value at 31 March**	**1.9**
3.7	Gross book Value at 31 March	4.3
-2.0	Amortisation balance at 31 March	-2.4
1.7	**Net book value at 31 March**	**1.9**

Note 13: Financial instruments

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

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

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

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

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

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

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

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

In assessing fair value we have made the following assumptions:

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

Note 14: Debtors

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

Note 15: Cash and cash equivalents

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

Note 16: Assets held for sale

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

Note 17: Creditors

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

Note 18: Provisions

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

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

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

We have to account for our share of non domestic rating appeals that are still to be resolved by the Valuation Office Agency (VOA) for the District and Borough Councils in Warwickshire. We have been informed that the VOA plan to have to have cleared all outstanding appeal decisions by summer 2015, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £2.0 million.

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

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

Note 19: Usable Reserves

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

31 March 2014 £ m	Usable reserves	31 March 2015 £ m
18.4	General Fund	18.8
98.5	Earmarked Reserves	109.6
0.9	Capital Fund	1.0
0.0	Capital Receipts Reserve	0.0
7.3	Capital Grants Unapplied	6.9
125.1	**Total usable reserves**	**136.3**

Note 20: Unusable Reserves

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

Revaluation Reserve

The Revaluation Reserve contains the gains we have made arising from increases in the value of our property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

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

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

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

Capital Adjustment Account

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

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

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

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

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

Financial Instruments Adjustment Account

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

We have not received any discounts or paid any premiums in 2014/15.

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

Available for Sale Financial Instruments Reserve

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

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

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

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

31 March 2014 £ m		Movement in Accumulated Absences Account	31 March 2015 £ m	
	-4.7	Balance at 1 April		-6.6
4.7		Settlement or cancellation of accrual made at the end of the preceding year	6.6	
-6.6		Amounts accrued at the end of the current year	-6.5	
	-1.9	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.1
	-6.6	**Balance at 31 March**		**-6.5**

Collection Fund Adjustment Account

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

31 March 2014 £ m	Movement in Collection Fund Adjustment Account	31 March 2015 £ m
-0.1	Balance at start of year	2.5
3.7	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-0.4
-1.1	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements	-0.7
2.5	**Balance at end of year**	**1.4**

Pensions Reserve

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

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

Note 21: Cash Flow Statement – operating activities

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

Note 22: Cash Flow Statement – investing activities

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

Note 23: Cash Flow Statement – financing activities

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

Note 24: Grant Income

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

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

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

The balances at year end are as follows:

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

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

Note 25: Accounting standards issued that have not yet been adopted

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

- IFRS 13 Fair Value measurement - Requires authorities to review their current measurements of property, plant and equipment, and for some authorities, re-measurement of particular assets. The implementation of this has been deferred to 2015/16 by CIPFA/LASAAC.
- IFRIC 21 Levies.
- Annual improvements to IFRSs (2011 – 2013 cycle) includes IFRS 1 – Meaning of effective IFRSs; IFRS 3 – scope of exceptions for joint ventures; IFRS 13 – scope of paragraph 52 (portfolio exception) and IAS 40 – clarifying the interrelationship of IFRS 3 Business Combinations and IAS40 Investment Property when classifying property as investment property or owner-occupied property.

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

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

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

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

The items in our Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £3.3 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 £142.6 million. During 2014/15, our actuaries advised that the net pensions' liability has increased by £103.6 million as a result of estimates being corrected, experience losses and updating of the assumptions.

Note 27: Authorisation for issue

These accounts have taken into account all known events up to xx September 2015. On that date the accounts were authorised for issue by the Head of Finance.

John Betts
Head of Finance

Note 28: Capital expenditure and capital financing

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

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

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

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

Note 29: Critical judgements in applying accounting policies

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

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

- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts.

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

- Details of our relationships with other companies and investments in companies are detailed in note 43 on page 74. These were not material for us and we have not prepared group accounts on this basis.

Note 30: Dedicated Schools' Grant

In line with the requirements of the Accounts and Audit (England) Regulations 2011, we can confirm that the Dedicated Schools' Grant received in 2014/15 was £242.9 million (made under section 14 of the Education Act 2002) and has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45a, 45aa, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of schedule 14 to, the Schools Standards and Framework Act 1998.

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

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

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

Note 31: Events after the Balance Sheet date

Academies

As a result of the Government's white paper 'The importance of Teaching', which allows Schools to opt out of local government control by becoming academies, a number of Warwickshire schools have chosen to take up the new academy status in 2014/15 and a further number of Warwickshire schools are anticipated to also convert to academy status in 2015/16 and beyond.

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

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

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

Note 32: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2013/14) for the year in relation to the audit of the Statement of Accounts and certification of grant claims provided by our external auditors.

Note 33: Leases

Authority as lessee

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

Authority as lessor

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

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

31 March 2014 £ m	Operating lease period	31 March 2015 £ m
1.7	Not later than 1 year	1.5
4.5	Later than 1 year and not later than 5 years	4.4
10.3	Later than 5 years	10.0
16.5	**Total**	**15.9**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 £0.2 million (£0.8 million in 2013/14) contingent rents were receivable by the authority.

Note 34: Contingent assets

We are the lead authority for the Coventry and Warwickshire Business Rates Pool. Under the agreement that governs the Pool, any member that leaves is required to make good any deficits that we underwrite in the short-term. This payment, of up to £0.1 million, has not been recognised because all authorities are currently planning to remain in membership.

Note 35: Contingent liabilities

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

Note 36: Members' allowances

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

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

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

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

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

Market risk

Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

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

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

We have an active strategy for assessing interest rates exposure that allows for any adverse changes to be incorporated into the budget on a quarterly basis. According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- A decrease in the fair value of fixed rate investment assets of £0.02 million (£0.2 million in 2013/14)
- A decrease in fair value of fixed borrowing of £78.4 million (£65.9 million in 2013/14).

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

Price risk

We have some shareholdings in related companies most of which have been derecognised in full prior to April 2006. Those shareholdings existed in the acquisition of specific interests and we are as such not in a position to diversify our portfolio. The current value of the shareholding is £0.061 million. This is classified as "available for sale" meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. In 2014/15 this amounted to a gain of £0.015 million. We also have a number of investment holdings where any movements in their values are not realised until they are disposed of. At 31 March each year we account for the current increase or decrease in it's value by recognising this change as an unrealised gain or loss. At 31 March 2015 we recognised an unrealised gain of £2.6 million in the Comprehensive Income and Expenditure Account.

Treasury management

We take into account the Department for Communities and Local Government guidance on local government investments issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes.

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

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

Note 38: Officers remuneration and termination benefits

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

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

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

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

Exit Package Cost Band (including Special Payments)	Number of redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band £ millions	
	2013/14 Restated	2014/15	2013/14 Restated	2014/15	2013/14 Restated	2014/15	2013/14 Restated	2014/15
£0 - £20,000	118	123	13	44	131	167	0.678	1.071
£20,001 - £40,000	29	25	7	5	36	30	0.937	0.856
£40,001 - £60,000	4	4	0	2	4	6	0.180	0.279
£60,001 - £80,000	4	3	0	0	4	3	0.274	0.212
£80,001 - £100,000	3	2	0	0	3	2	0.277	0.173
£100,001 - £150,000	3	2	0	0	3	2	0.369	0.268
£150,001 - £200,000	0	0	0	1	0	1	0.000	0.187
	161	**159**	**20**	**52**	**181**	**211**	**2.715**	**3.046**

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	2013/14	172,866	74	0	172,940	27,659	200,599
	2014/15	172,866	0	0	172,866	28,955	201,821
Strategic Director, People Group	2013/14	126,505	227	0	126,732	20,273	147,005
1 April to 30 November 2014 (note 1)	2014/15	126,179	0	7,000	133,179	195,850	329,029
1 January to 31 March 2015 (note 1)	2014/15	0	0	0	0	0	0
Chief Fire Officer (9 May to 31 March) (note 2)	2013/14	110,452	5,493	0	115,945	29,270	145,215
	2014/15	121,054	0	0	121,054	25,785	146,838
Strategic Director, Communities	2013/14	127,027	19	0	127,046	20,324	147,370
	2014/15	127,027	0	0	127,027	21,277	148,304
Strategic Director, Resources	2013/14	127,027	2	0	127,029	10,162	137,191
	2014/15	127,027	0	0	127,027	0	127,027
Head of Public Health - Dr John Linnane (Note 3)	2013/14	153,933	0	0	153,933	21,726	175,659
	2014/15	155,010	0	0	155,010	21,693	176,703
Head of Finance	2013/14	101,009	21	0	101,030	16,161	117,191
	2014/15	101,009	0	0	101,009	16,919	117,928
Total 2013/2014		**918,819**	**5,836**	**0**	**924,655**	**145,575**	**1,070,230**
Total 2014/2015		**930,172**	**0**	**7,000**	**937,172**	**310,479**	**1,247,651**

There were no bonuses paid in either year.

Note 1: The Strategic Director, People Group left the authority on 30 November 2014. The annualised salary for the year was £127,027.
The new Strategic Director, People Group started on 1 January 2015. Payments via an Agency for the period 1 January 2015 to 31 March 2015 were £63,993.

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

Note 3: The standard salary for the Head of Public Health is £95,860. Additional payments for Clinical Excellence Award, Additional Programme Activity and the Director of Public Health role result in the total salary shown in the table.

Note 39: Pension scheme

IAS 19 Accounting for pension costs: local authorities
This note provides the information we must give under IAS 19. The purpose of IAS19 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The movement in reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets for the LGPS, the Firefighters' Pension Scheme, the Firefighters' Injury Awards Scheme and the Discretionary Teachers' Scheme. This note applies as well as note 19 on reserves on page 46.

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

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

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

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

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

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

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

A table analysing our pension scheme accounting on page 71 shows the transactions that have been reflected in the Comprehensive Income and Expenditure Statement during the year.

When we assessed our liabilities for retirement benefits as at 31 March 2015, we used a rate based on the current rate of return on a corporate bond and for a length of time that matched the scheme's liabilities. The actuary has advised that the rates shown below are appropriate and has adjusted the real rate to allow for inflation. Applying this rate has resulted in an increase in our liabilities, measured at today's prices, as shown in the table below.

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

Teachers

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

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

There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2014/15, teachers paid between 6.4% and 12.4% of their salary (6.4% in 2013/14) and we paid 14.1% of teachers' salaries (14.1% in 2013/14). A supplementary contribution is not needed at present. The total employers' contribution cost was £13.6 million in 2014/15 (£14.3 million in 2013/14).

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

There is no fund for teachers' discretionary benefits and so there are no assets. Our actuaries calculate our liabilities using the assumptions shown in the table on page 69 and their opinion on the life expectancy of people once they have retired.

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

The Firefighters' Pension Scheme

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

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

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

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

The table on page 69 reflects our actuaries opinion on the life expectancy of people once they have retired.

Firefighters Injury Awards Scheme

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

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

We value liabilities at their present cost.

National Health Service Pension Scheme

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

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

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

Local Government Pension Scheme - other employees

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

The scheme provides pensions and other retirement benefits for employees. It is a funded defined benefit salary scheme, meaning that we and employees pay contributions into a fund calculated at a level intended to balance pension liabilities with investment assets.

An actuarial valuation is carried out every three years. It assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund's projected assets and liabilities and the amount employers will have to contribute for the next three years. The valuation on 31 March 2013 set the rates for 2014/15, 2015/16 and 2016/17. The valuation on 31 March 2010 set the rates for 2013/14.

In the valuation carried out as at 31 March 2013 the funding level reduced from 83% to 77%. As a result, the employers' rate increased from 1 April 2014 from 16.0% to 16.75% and is expected to increase by 0.75% per annum for 2015/2016 and 2016/2017.

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

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

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

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

31 March 2014 £ m	Local Government Pension Scheme	31 March 2015 £ m
782.9	Fair value of assets	782.9
-1,155.8	Present value of liabilities	-1,358.9
-372.9	**Shortfall**	**-576.0**

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

We show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the assumptions in the table on page 69.

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

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

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

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

31 March 2015	Quoted prices in 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	1.1	0.0	1.1	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	**818.3**	**54.3**	**872.6**	**100%**

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

Table may not sum due to roundings

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

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2015, but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes.

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

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

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

The expected rates of return quoted in the accounting schedules are based on a set of possible outcomes over a period of 20 years (as an approximation for the long term), starting at 31 March 2015. Different models will use different assumptions and will therefore produce different returns to that of the HRAM.

The only exception to the use of HRAM is in deriving the expected return on bond assets. The yields applicable on suitable bond indices as at 31 March 2015 are used instead of that calculated by HRAM.

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

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

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

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

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

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

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

	31 March 2012 £ m	31 March 2013 £ m	31 March 2014 £ m	31 March 2015 £ m
Fair value of LGPS assets	649.7	744.0	782.9	872.7
Present Value of Liabilities:-				
~ Local Government Pension Scheme	-940.1	-1,110.5	-1,155.7	-1,358.9
~ Teachers Pension Scheme	-48.5	-50.7	-50.9	-53.5
~ Firefighters Pension Scheme	-180.1	-223.4	-217.4	-259.6
~ Firefighters Injury Awards scheme	-18.8	-17.1	-24.3	-28.1
Total present value of liabilities	**-1,187.5**	**-1,401.7**	**-1,448.3**	**-1,700.1**
~ Local Government Pension Scheme surplus/(deficit)	-290.4	-366.5	-372.8	-486.2
Total surplus/deficit	**-537.8**	**-657.7**	**-665.4**	**-827.4**

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £1,700.1 million has a substantial effect on our net worth as recorded in the Balance Sheet, resulting in an overall balance of £827.4 million. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

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

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

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**
2011/12	-24.4	3.8	-19.2	3.4	-13.0	1.4	-56.6
2012/13	60.5	8.1	-127.3	11.2	3.1	0.3	-63.7
2013/14	9.3	1.2	-29.2	2.5	40.5	3.5	20.6
2014/15	67.3	7.7	-180.3	-13.3	9.4	0.7	-103.6
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-203.3**

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**
2011/12	0.0	0.0	0.0	0.0	-7.6	15.7	-7.6
2012/13	0.0	0.0	0.0	0.0	-3.1	6.2	-3.1
2013/14	0.0	0.0	0.6	1.2	0.7	1.4	1.3
2014/15	0.0	0.0	3.8	7.1	-0.1	0.0	3.7
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-5.7**

Firefighters	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2011/12	0.0	0.0	-2.3	1.3	8.4	4.7	6.1
2012/13	0.0	0.0	8.0	3.6	28.2	12.6	36.2
2013/14	0.0	0.0	9.6	4.4	5.3	2.4	14.9
2014/15	0.0	0.0	42.5	16.4	-8.0	-3.1	34.5
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**91.7**

Firefighters Injury Awards	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2011/12	0.0	0.0	0.5	2.6	0.7	3.7	1.2
2012/13	0.0	0.0	-5.9	34.7	3.2	18.8	-2.7
2013/14	0.0	0.0	7.8	32.2	-1.5	6.2	6.3
2014/15	0.0	0.0	3.5	12.5	-0.6	-2.1	2.9
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**7.7**

Note 40: PFI and similar long term contracts

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

Note 41: Pooled budgets with health

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

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

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

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

The entire deficit at the end of the year, £0.7 million, is owed by the CCGs (Clinical Commissioning Groups).

Note 42: Coventry and Warwickshire Business Rates Pool

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

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

Under the agreement £0.4 million of the £0.5 million generated by the pool, will be shared between pool members.

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

The deficit for 2013-2014 was further reduced to £0.2m following adjustments to the pool in relation to District Council figures after our accounts were published. The deficit has been further reduced to £0.1 million with the surplus from pooling above. The overall current deficit of £0.1 million has been funded by a temporary loan from us, as lead authority, and is shown as a contingent asset on our Balance Sheet (see note 34).

Our allocation from the Pool was £127,000.

Note 43: Related parties and associated parties

Central Government
Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 23. Details of the balances with central government departments are shown in notes 13 and 16. Pooled budget arrangements with the Department of Health are shown in note 41 on page 73.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2014/15 is shown in note 36 on page 58. During 2014/15 works and services to the value of £25.7 million were commissioned from companies in which elected members had an interest (this includes £7.8 million paid to District and Borough Councils in Warwickshire where they are also elected members). Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body, including any made to organisations whose senior management included close members of the families of elected members. In all instances grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members Interest, open to public inspection at Shire Hall.

Senior Officers
During 2014/15 no payments were made to organisations in which senior officers or members of their families had declared an interest.

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

Other Public Bodies

At the end of the year we owed £16.6 million to other local authorities, central government and public bodies including £5.4 million to Her Majesty's Revenue and Customs, and they owed us £17.8 million including £4.7 million from the Her Majesty's Revenue and Customs (VAT).

We charged the Warwickshire County Council Pension Fund £0.8 million for carrying out the administration work for the fund (not including payroll-processing costs). For more information please refer to the Pension Fund Annual Report 2014/15 which is available on our website.

Other Entities

We hold shares in the following companies:

Company	WCC Share holding	Directors
University of Warwick Science Park Innovation Centre Limited	19.9% of Ordinary Share Capital. 1/6 Voting Rights £1,502,500 preference share valued at £0.061 million	One of six directors is appointed by us
Warwick Technology Park Management Company Limited	4.8% of called up share capital	One officer and one elected member as directors
Warwick Technology Park Management Company (No 2) Limited	0.2% of called up Share capital	One officer and one elected member as directors.
Eastern Shire Purchasing Organisation (ESPO)		Two elected members from each authority on Management Committee
SCAPE System Build Limited	16.7% of the called up share capital	One of the six directors is appointed by us
Coventry and Warwickshire Local Enterprise Partnership Limited	No Share Capital and liability limited to £1.	Two type 'B' (public sector) directors to be appointed by us
Coventry and Warwickshire Waste Disposal Company	1 ordinary share 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.
Local Capital Finance Company Limited	80,000 fully paid B Shares of £0.01 120,000 ordinary Shares of 1p each	No Directors appointed by WCC

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

In 2014/15 we paid ESPO £2.0 million for goods and services (£2.2 million in 2013/14). The total amount of invoiced sales for ESPO-managed contracts in 2014/15 was £95.6 million (£94.0 million in 2013/14). Under the terms of the partnership agreement, if ESPO stopped trading we would be liable for any net liabilities or to receive a share of the net assets based either on the average of our last three years' purchases compared to our other six partners, or a one-seventh share. We are also entitled to a share of the profits. We received £0.2 million in 2014/15 (£0.2 million in 2013/14).

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

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

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

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2014/15.

Note 44: Trading accounts

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

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

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

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

Table may not sum due to roundings

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

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

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

The Firefighters' Pension Fund

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

31 March 2014 £ 000's	Firefighters' Pension Fund net assets statement	31 March 2015 £ 000's
	Current assets:	
817	- Top-up grant receivable from Government	771
0	- other current assets (other than assets in the future) ~ debtor	0
	Current liabilities:	
-817	- other current liabilities (other than liabilities in the future) ~ creditor	-771
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 these statements. A small number of ill-health pensions of fire-fighters who retired on the grounds of injury or other ill-health but who were not in the pension scheme when they retired, have inadvertently been charged to the pension fund since pensions became funded by grant and hence too much grant had been claimed from the Government in previous years. We have agreed with our auditors that as this is not a material error that the adjustment is made to the current year's figures. The grant due at 31 March 2015 has therefore been reduced by the appropriate overpaid grant to be settled in 2015/2016.

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

Note 3: Liabilities

The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2015. Details of the long term pension obligations, employees and employers contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters Pension Fund are found in note 39 to the accounts on pages 62 to 73.

Note 4: Contribution levels

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

Note 5: AVC's and added years

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

Note 6: Debtors and creditors

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

Glossary

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

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

Actuarial gain (loss)
For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.

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

Amortisation
The drop in value of intangible assets as they become out of date.

Asset
An item which is intended to be used for several years such as a building or a vehicle.

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

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

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

Business rates (National Non-Domestic Rates – NNDR)
Businesses pay these rates instead of council tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are shared between local authorities partly on the basis of need and partly on the increased business rates generated locally. The amount each business is charged is based on multiplying the rateable value of each business property by the national rate in the pound.

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

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

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

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

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

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

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

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

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

CIPFA
Chartered Institute of Public Finance and Accountancy

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

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

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

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

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

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

Current assets
Short-term assets which constantly change in value such as stocks, debtors and bank balances.

Current liabilities
Short-term liabilities which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

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

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

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

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

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

Earmarked reserves
Money set aside for a specific purpose.

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

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

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

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

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

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

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

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

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

Net book value
The value of an asset after depreciation.

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

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

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

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

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

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

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

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

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

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

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

Recharges
Charges for services that we have provided.

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

Regeneration
Breathing new life into the local economy.

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

Reserves and funds
Savings we have built up from surpluses.

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

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

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

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

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

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

Reversed out

An item of income or expenditure is taken back out.

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

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

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

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

Surplus
The remainder after taking away all expenses from income.

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

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

Annual Governance Statement

Year ended 31 March 2015

Warwickshire County Council

Working for Warwickshire

Item 7

Audit and Standards Committee

9th September 2015

Annual Governance Statement 2014/2015

Recommendation

That the Committee endorses the Annual Governance Statement for 2014/15 prior to submission to Cabinet and Council.

1.0 Key Issues

1.1 The Accounts and Audit (England) Regulations 2011 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an Annual Governance Statement (AGS).

1.2 The results of the review and resulting AGS was considered at the June meeting of the Committee in order that a proposed AGS could be made available to the external auditors. The draft statement was endorsed by the committee. Feedback from external auditors has been positive and no changes are required to the draft statement endorsed by the Committee in June.

1.3 The Committee is asked to confirm that the proposed AGS **(Appendix 1)** continues to be appropriate taking into account the results of the external audit and the content of the Authority's accounts which are also on the agenda for this meeting. Following consideration by the Committee the AGS will be submitted to Cabinet on 10 September and to Council on 24 September.

2.0 Background Papers

2.1 There are no background papers to this report.

	Name	**Contact Information**
Report Author	Garry Rollason	01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

Draft Annual Governance Statement

Year ended 31 March 2015

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2014/2015

Contents

DRAFT

Annual Governance Statement 2014/2015

1. What are we responsible for?

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

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

We have approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. You can obtain a copy of the Code from our website: http://www.warwickshire.gov.uk/corporategovernance

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

2. The aim of the governance framework

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

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

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

The framework underpins our Code and set out the commitments we have made about the way that we work. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the annual report and statement of accounts.

3 The Governance framework

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

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens, service users and communities

Our core purpose is to 'develop and sustain a society that looks after its most vulnerable members, delivers appropriate, quality services at the right time, and seeks opportunities for economic growth and innovation'. This provides the overarching framework for the One Organisational Plan which sets out our values and the desired outcomes we want to achieve for the people of Warwickshire over the four year period 2014-18. The One Organisational Plan was approved by Council on 25th February 2014 and the business outcomes that support the delivery of the core purpose were agreed by Cabinet in March 2014. http://www.warwickshire.gov.uk/businessplan

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

Our annual Quality of Life Report provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities of Warwickshire. The key messages identified in the analysis aid the decision making and priority setting processes; providing the context for our business planning and the evidence base for our policy development: http://www.warwickshireobservatory.org/quality-of-life-in-warwickshire-201415/

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

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

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

Translating the vision into objectives for the authority and its partnerships

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

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

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

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

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

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

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

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

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

The roles and responsibilities of senior officers, delegation of statutory powers and executive functions, and Protocols on member / officer relations are defined and documented within our Constitution which can be found on our website: http://www.warwickshire.gov.uk/constitution.

Ensuring effective management of change and transformation

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

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

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

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

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

- The Head of Finance fulfils the role of Chief Finance Officer. He is actively involved in the financial implications of all material business decisions, leads on promoting good financial management, is professionally qualified and suitably experienced and leads and directs a finance function fit for purpose.
- He is entitled to attend at and offer advice to meetings of the Corporate Board and Cabinet/Corporate Board in relation to any item which he considers raises financial issues.
- Within the Financial Regulations of the Authority he has the responsibility to advise Strategic Directors as necessary on financial arrangements and has access to all documents concerned with finance.

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

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

Arrangements are in place to ensure that we fully comply with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. In particular the Chief Risk and Assurance Manager is designated as the Head of Internal Audit. He has regular formal meetings with the Strategic Director for Resources, Head of Finance and Head of Law and Governance and does not take any part in any audit of risk management or insurance. A self-assessment against the Public Sector Internal Audit Standards (PSIAS) has been completed and compliance will be confirmed by an external assessment in due course. More information can be found on our website: http://www.warwickshire.gov.uk/audit

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

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

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

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

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

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

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

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

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

A partnership governance toolkit is in place. The purpose of the toolkit is to help the Council and other agencies involved in partnership working to identify the key governance issues that need to be addressed when considering new partnership arrangements or running existing partnerships. The toolkit contains a number of tools designed to help build a partnership framework including partnership objectives, structures, governance arrangements (including performance, financial and risk management arrangements, customer engagement protocols and exit strategies.

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

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

Our Corporate Governance Framework is supported by a programme of governance training for officers and a range of internal audits. Online governance training for all staff was introduced during 2014.

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

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

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

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

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

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

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

Key roles in relation to ensuring compliance with policies, procedures, laws and regulations are performed by the Strategic Director for Resources, Head of Finance and the Head of Law and Governance.

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

A structured approach to contract management is set out in Contract Standing Orders (CSOs). These provide guidance on managing our finances, ensuring compliance with legislation and best value is considered in all purchasing activities. The current set of Contract Standing Orders was approved by full Council in September 2013 and is contained within the Constitution: http://www.warwickshire.gov.uk/constitution

In addition, external audit and external inspection agencies contribute to the review of the Authority's compliance with internal policies and procedures, and relevant laws and regulations. External reviews completed during 2014-15 include:

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

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

Whistleblowing, and receiving and investigating complaints from the public

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

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

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

Reviewing the effectiveness of the decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Constitution sets out how the Council operates, how decisions are made, who makes decisions, how citizens, businesses and other organisations can participate, and the procedures which are followed to ensure that the Council is efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the Council, Cabinet, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet members, Committees and Officers are specified.

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 procedures for requesting access to information are in place. Our publication scheme guide is available on our website: http://www.warwickshire.gov.uk/foi

Information security is a key issue for us. A robust process for investigating data losses is in place and the Authority continues to protect the data of its staff, customers and business activities and ensure that it is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we have introduced mandatory training and required staff to formally accept their responsibilities. http://www.warwickshire.gov.uk/informationsecurity

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. It is essential to our ability to deliver public services and as a custodian of public funds. Our approach to managing risk is explained in the Risk Management Strategy which has been approved by Cabinet and is available on our website: http://www.warwickshire.gov.uk/riskmanagementstrategy.

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

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

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

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

The Working for Warwickshire Framework details the knowledge, skills, and qualities we need from our staff. This was made available to all staff from April 2014. As part of this framework a self-assessment tool has been developed which all managers across the organisation use when reviewing performance and agreeing development needs as part of their appraisals and 1:1 sessions. http://www.warwickshire.gov.uk/w4w

The corporate staff appraisal process applies to staff across the organisation and is used as a tool to identify individual objectives and development needs. The process is cascaded down through all tiers of staffing to ensure the objectives of the Authority run through the appraisals of all staff. http://www.warwickshire.gov.uk/corporateappraisal

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

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
We undertake consultation on a wide range of topics to help us engage with the public to inform decision making and to assess the quality of services we provide. Our Consultation and Engagement Framework provides staff with guidance and tools for planning and conducting consultation activities. As part of our approach to consultation the Ask Warwickshire website is a portal for consultation exercises taking place within Warwickshire. We use a variety of methods to undertake consultation including public meetings, public and staff roadshows, strategic meetings with partners and online consultation surveys. This enables us to engage with a greater number of citizens on a wide range of consultation topics and to provide results of completed consultation activities: http://askwarks.wordpress.com/ During the development of the One Organisational Plan we conducted an extensive programme of public and partner consultation. The public were invited to engage with members about what is important to them, and the leader embarked upon a programme of 'Let's talk' roadshows across the county. During the consultation we used MORI 'You Choose' budget simulation software to help gather the views of the local community to help shape the medium term financial plan for 2014-18. We are preparing for a further 'Let's Talk' exercise during 2015. http://askwarks.wordpress.com/2014/01/07/feedback-from-the-lets-talk-public-engagement/ The One Organisational Plan Delivery Group brings together a number of officers from both support functions and services across the organisation and at each meeting updates are given on current and upcoming consultations by officers involved (Legal, Warwickshire Observatory, Communications and Corporate Project Delivery). This allows further support to be given where appropriate, interdependencies to be identified and lessons to be learnt in a timely manner. A Public Engagement in Overview and Scrutiny Toolkit has been developed to support Members with engaging and involving the public in scrutiny activity. The Toolkit was approved by the Corporate Services Overview and Scrutiny Committee in October 2013: http://warksdemocracy.wordpress.com/2013/10/28/greater-public-involvement-in-overview-and-scrutiny/ Equality and Diversity is an integral part of consultation. Equality Impact Assessments are used as a tool to identify the potential impact of strategies, policies, services and functions on customers and staff: http://www.warwickshire.gov.uk/staffequalityanddiversity The Petitions Scheme enables citizens to raise and formally present petitions to members and committees. Petitions can be submitted by post or online: http://www.warwickshire.gov.uk/petitions Our Locality Working Strategy outlines the objectives and working arrangements for engaging with the community alongside our partners and improving working with locality groups. This can be found on our website. http://www.warwickshire.gov.uk/localityworkingstrategy

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

We have commissioned Healthwatch Warwickshire to undertake an independent role in the provision of information on local health and social care services to the public and also to enable public engagement with health providers. Healthwatch launched in April 2013 and a Memorandum of Understanding has been agreed setting out the framework for the working relationship between Warwickshire Health and Wellbeing Board, Healthwatch Warwickshire, Children and Young People Overview & Scrutiny Committee and Adult Social Care and Health Overview & Scrutiny Committee. http://www.healthwatchwarwickshire.co.uk/

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

We actively contribute to partnerships including the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and collaborate with partners to promote good governance and delivery of outcomes. We are members of a number of sub-regional partnerships and groups which have member and / or officer representation. Each partnership has its own governance arrangements in place. http://www.warwickshire.gov.uk/partnerships

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

Governance arrangements are in place for scrutinising health services. The Health and Wellbeing Board is an executive function that has statutory responsibility for developing joint health and wellbeing strategies. It brings together colleagues from the county council, district and borough councils, and the NHS to provide leadership and direction for the health and social care economy in the county.

4. Review of effectiveness

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

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

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

The evaluation panel scrutinised the strategic risk register prepared by executive managers and approved by Corporate Board. In addition Heads of Service have confirmed that they have complied with the risk management framework throughout the year. Consideration was also given to the results of reviews carried out by external agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Strategic Director of Resources (Monitoring Officer) and the Head of Finance (Section 151 Officer) before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have been reviewed throughout 2014/15 in a number of ways including:

- LGA Corporate Peer Review
- LGA Health and Wellbeing Peer Review
- Review of County Council electoral boundaries by the Local Government Boundary Committee for England (LGBCE)
- WMDASS Peer Review of adult social care services
- scrutiny reviews undertaken by task groups commissioned by Overview and Scrutiny Committees; and
- risk based reviews by Internal Audit.

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

5. Governance issues

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

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

Risk	Further action to be taken
Government policies, new legislation, internal uncertainties and sustained austerity measures present immediate challenges and further significant imposed savings over the medium term. **Causes** • Projected savings of £92m over 4 years threaten existing levels of service provision. • Further uncertainty over post 2015 local and general election financial landscape. • The growing devolution agenda which is already influencing local authority strategic thinking • An accelerated pace of change to respond to new policy timeframes and changes in service expectations. • School financial deficits outside the scope of the one organisational plan impact on the ability to deliver corporate savings. • IT investment is insufficient to fully support transformation process. • Uncertainty in resource and cost implications of implementing Stage 1 of the Care Act from 2015/16. • Legal challenge to decisions made by the Authority. **Effects** • The Council is unable to achieve its key aims and objectives, to meet customer expectations and maintain an effective regulatory framework. • The pace of change and uncertainty about future local government structures stretches and challenges our governance and project management structures. • There is more pressure on expanding traded activity and income generation to protect the organisation's interests and core activities. • Impact on staff morale and productivity arising from transformational change. • Failure to deliver desired outcomes for the Council. Pace and scale of	• As part of an oversight of Transformation, continue to provide clarity about our priorities based on an analysis of need and budget plans which match our resources accordingly. This includes a corporate focus on expanding the commercial awareness of internal services. • On-going and effective communication of change and the reasons for change to all stakeholders and staff. • Clear guidance on consultation processes to be provided to Service Managers together with appropriate legal oversight. • Continue to explore and engage in the debate around greater devolution for England. • Findings and recommendations following the peer challenges to be collated and taken forward • Continue to build relationships with key partners and ensure that governance arrangements are robust. • Continue to monitor the implementation of savings plans.

Risk	Further action to be taken
change could result in reputational risk, increased cost in services and failure to meet the legal requirements of the Care Act. • Actions to implement change and deliver savings are delayed.	
Continuing pressure on Adult Social Services and Health. **Causes** • Demographic trends and a huge national change agenda. • Winter pressures on key services. • Large scale and complex changes arising from the Care Act and Better Care Plan and a delay in co-ordinating and implementing those changes which fails to meet imposed timescales. • Commercial or contractual failure of private or independent care providers leads to disruption to care provision. • Poor quality of data and analysis may result in poor evidence based service planning, or failure to achieve value for money. • The Health and Wellbeing Board is continuing to develop relationships. • Changes in government policy towards adult social care and the NHS. **Effects** • Failing to achieve efficiencies and respond to increasing demand using a commissioned approach to adult services (includes risk of contract failure). • Failing to secure services for people who the Care Act determine that the Local Authority must or should support. • Failing to meet statutory minimum levels of services would result in fines or intervention in services. • Failing to accurately predict the potential demand resulting from the Care Act and increased pressure on existing budgets. • Failure to maintain agreement on use of Better Care Funds and protection of social care, would lead to additional cost pressures through reduced funding support from health partners.	• Strategic Commissioning Unit lead on actions to progress the commissioning approach and respond to concerns about contractor performance and market failures. • Ensure the 5 priority areas in the Reablement Strategy are progressed within a project plan. • Seek potential wider integration opportunities across the health and social care economy to meet the requirements of the Better Care Fund. • Continue to monitor and manage change plans and budgets to ensure sustainability of service. • Implementation Plan for the Care Act Phase 2 taking place during 2015/16.

Risk	Further action to be taken
Safeguarding Children and Vulnerable Adults in our community - inability to take action to avoid abuse, injury or death **Causes** • An increasing volume of referrals and decreasing internal resources. • An increasing national focus on the threat of Child Sexual Exploitation and on historical cases of abuse. • Local pressures such as staff shortages and extreme demand. **Effects** • Failing to deliver one of the Council's key aims to protect vulnerable members of our community. • Severe negative publicity and impact on key staff and future recruitment. • Inspections and possible intervention from regulators.	• To constantly review the controls in place to actively manage down the risk of a Safeguarding incident occurring. • Development of the Multi Agency Safeguarding Hub with partners in Warwickshire • An Integrated Case File Audit tool is being introduced in Adult Social Care from April 2015. This is part of developing a consistent quality assurance framework for People Group based on 5 key standards, including Standard 1 – "People Group Services safeguard their customers and promote their welfare". • Introduction of case file audit tool in Child Safeguarding.
Loss or corruption of personal or protected data held by the Council **Causes** • A breach in our statutory information governance duties. **Effects** • Serious breaches may lead to Information Commissioner investigation, potential for a significant fine and reputational damage. • More minor breaches still require internal investigation and reporting and negative media which damages the Council's reputation	• Exploring options for cloud based information sharing with external parties to reduce paper exchanges and associated risks. • The Information Governance Steering Group to develop pro-active training across the Council..
C&W LEP and regional partnership working fail to deliver optimum economic benefits. **Causes** • Any potential weaknesses in partnership and governance arrangements including the allocation of growth funding. • Potential conflicts of interest protecting strategic and financial interests. • Uncertainty about longer term commitments of all partners given the	• Evidence-based research to inform discussions with all Local Authority Leaders in the area on options around a Combined Authority, and the implications of moving forward on this agenda. • The European Structural & Investment Funds Programme will be launched in 2015/16, providing significant resources to support economic growth activity. Projects, programmes and match funding need to be secured to take advantage of this opportunity. • Successful implementation of and delivery of Growth Fund projects,

Risk	Further action to be taken
early stages of proposals for a West Midlands Combined Authority which may include Coventry City Council. • Changes to central government policy following the 2015 general election. **Effects** • Unable to sustain essential income and resources to support growth in the Warwickshire economy and protect strategic and financial interests in LEP arrangements • Failing to maximise any economic benefits from HS2 proposals either from the infrastructure project itself or subsequent economic drivers.	demonstrating and impact on the local economy. • Engagement with partners to consider and evaluate models of governance which would best enhance the economic prosperity of the County and give greater local control over resources and decision-making.
Inability to sustain risk critical fire and rescue functions. **Causes** • Projected savings agreed by Council and One Council approach to delivering an effective and safe fire and rescue service. **Effects** • Weakening operational support to fire crews through a reduced ability to provide, maintain and review safe systems of work - impacting plant & equipment, operational guidance, effective training and mobilising capability. • The unique nature of fire and rescue is left vulnerable as a result of an inability to recognise the emergency nature of core business and that services need to be maintained 24/7 throughout the year.	• Operational assurance is strengthened through the development of a Command Assurance Team. Its purpose is to seek and improve areas where systemic failure could occur. • Performance measures refined and owned at all managerial levels and reported to Brigade Team level on a monthly basis. • Continue to explore partnership and collaboration opportunities with other fire authorities. • Implementation of new response model and emergency response standards from April 2015.
Inability to maintain critical services during disruptions. **Causes** • Business Continuity Plan and framework are under review but progress with confirming continuity plans and implementing improvements is slow and some current service BCPs may still not be fit for purpose	• Complete the development of business continuity plans and develop a robust testing and maintenance programme.

Risk	Further action to be taken
Effects • Avoidable service interruption and gaps in civil contingency responses. • Reduces staff confidence and engagement in the continuity planning process.	
Ensuring sufficient provision of school places across the County **Causes** • Demographic changes and pressures in some areas of the County. • Changes in our relationship with schools and academies and the impact of significantly reduced capital and revenue resources. • Lack of appropriate in-county placements in particular for areas of growing need including Autism and Emotional Social and Behavioural Difficulties. **Effects** • Provision may not improve quickly enough to ensure that every child in Warwickshire has the opportunity to attend a good or outstanding school. • Potential for negative feedback following an authority wide Ofsted inspection. • Increased numbers of vulnerable children and those with SEND (Special Educational Needs and Disabilities) educated in out of county provision.	• Use the Sufficiency Strategy to address areas of under provision of school places. • Develop SEND capacity and capability within the County including the opening of a new Additional Educational Needs (AEN) school, developing models of partnership between special and mainstream schools and developing designated resourced SEN provision on school sites or satellite provision elsewhere.
Meeting statutory requirements to drive improvement across all schools in the County. **Causes** • Demographic changes and pressures in some areas of the County. • Increasing pressures on centrally managed Dedicated School Grant (DSG) budgets, and in particular, those arising in the High Needs block from Mainstream and Special School top-ups and Independent / Out of Authority placements.	• Commission the development of a medium term recovery plan to bring the centrally managed DSG back into balance. • Development and implementation of Vulnerable Learners Strategy to improve outcomes for our most vulnerable and disadvantaged groups. • Continue to engage with school governors and disseminate good governance practice through training, forums and published guidance.

Risk	Further action to be taken
Effects • Failure to close the gap between the performance of Vulnerable Groups and other children • Provision may not improve quickly enough to ensure that every child in Warwickshire has the opportunity to attend a good or outstanding school. • Potential for negative feedback following an authority wide Ofsted inspection.	
Inability to manage the impact of HS2 on Warwickshire **Causes** • Limited ability to maintain positive relationships with all parties that have an interest in or are affected by HS2 • WCC does not have the capacity or expertise to manage sustained multiple extensive technical consultations or to participate in the legislative processes for the Bill. • Impacts to WCC, communities and businesses are not identified. **Effects** • Loss of public amenities and failure to secure mitigations, enhancements, incentives or benefits. • Impact on delivery of county council services and communities if the scheme progresses.	• Monitor progress with the second reading of the Hybrid Bill and respond accordingly. • WCC needs to hold HS2 Ltd to account for the delivery of the promised mitigation measures.

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.

Signed: ………………………………………………… …………………………………………………

Jim Graham
Chief Executive

Councillor Izzi Seccombe
Leader of the Council

Date:

Item 8

Audit and Standards Committee

9th September 2015

Warwickshire Pension Fund Statement of Accounts and Governance Report 2014/15

Recommendations

The Committee is asked to:

1. Consider the 2014/15 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval.

2. Endorse and comment on the Annual Governance Report of the External Auditors for Warwickshire Pension Fund, attached at **Appendix B**, and consider whether there are any matters you wish to bring to the attention of Council.

3. Approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at **Appendix C**.

1.0 Statement of Accounts

1.1 Appendix A to this report presents the Statement of Accounts for 2014/15.

1.2 The Statement of Accounts for Warwickshire Pension Fund comprises of:

- An explanatory introduction by the Head of Finance
- The statement of accounting policies
- The statement of responsibilities for the accounts
- The fund revenue account
- The fund net assets statement
- The notes to the financial statements
- An actuarial statement
- Notes regarding risks
- Financial Instruments

1.3 The Committee is asked to consider the 2014/15 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval.

2.0 Annual Governance Report

2.1 Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the Pension Funds financial statements before issuing their final opinion. Their report for 2014/15 is attached at **Appendix B**. This report is in addition to the usual Audit Management Letter which will be presented to this Committee later this year.

2.2 The District Auditor and the Audit Manager will attend the meeting to present their report.

3.0 Letter of Representation

3.1 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Head of Finance and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of their knowledge. The Audit and Standards Committee are asked to approve, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation for the Pension Fund at **Appendix C**.

3.2 The final version of the letters will be signed, by the Chair of the Council and the Head of Finance, when the accounts are approved by Council on 24 September 2015.

Background Papers

None

	Name	**Contact Information**
Report Author	Mat Dawson	mathewdawson@warwickshire.gov.uk
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Alan Cockburn	alancockburn@warwickshire.gov.uk

Warwickshire County Council

Warwickshire Pension Fund Statement of Accounts

2014/2015

Warwickshire County Council

Working for Warwickshire

Contents

We would welcome any comments, judgements or suggestions that you have regarding this publication. Andrew Lovegrove, Corporate Finance, Resources Group, Warwickshire County Council.

- Phone: 01926 416811
- Fax: 01926 412962
- E-mail: andrewlovegrove@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.

Statement of responsibilities for the statement of accounts

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

Responsibilities of the Pension Fund

We must do the following:

~ Make sure that one of our officers is responsible for managing our financial affairs. In the Pension Fund, Warwickshire County Council's Head of Finance is responsible for doing this.

~ Manage our affairs to use our resources efficiently and effectively and to protect our assets.

~ Comply with IFRS financial reporting framework

~ 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 the Pension Fund accounts, I have:

~ selected suitable accounting policies and applied them consistently

~ made reasonable and prudent judgements and estimates

~ followed the Chartered Institute of Public Finance and Accountancy's/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

~ kept proper accounting records which are up to date

~ taken steps to prevent and detect fraud, including preparing an audit risk management strategy.

John Betts
Head of Finance **Date: XX September 2015**

I confirm that the accounts were considered and approved at a meeting of the Council on XX September 2015.

Councillor Brian Moss
Chair of the Council **Date: XX September 2015**

The Pension Fund

This section summarises the accounts of our pension fund. We use this fund to pay former employees their pensions and other benefits when they retire.

Fund account - Dealings with members, employers and other people directly involved in the scheme

2013/2014 £ millions	Fund account	2014/2015 £ millions
	Income to the fund	
	Contributions receivable:	
-49.0	From employers (Note 6)	-53.1
-15.8	From employees (Note 6)	-16.1
-6.4	Transfers in from other schemes (Note 9)	-5.7
-71.2	**Income to the fund**	**-74.9**
	Spending by the fund (Note 6)	
	Benefits to be paid:	
51.6	Pension payments	54.0
10.2	Commutation of pensions & lump sum retirement benefits	11.2
1.6	Lump sum death benefits	1.1
	Payments to and on behalf of leavers	
0.0	Refunds of contributions to people who leave the scheme	0.2
3.7	Transfers out of the scheme (Note 15)	33.0
1.4	**Administration expenses paid by the scheme** (Note 16)	1.3
68.6	**Spending by the fund**	**100.8**
-2.6	**Net additions from dealing with members**	**25.9**
	Return on investments (Note 17):	
-14.1	Dividends from stocks and shares	-13.9
-7.3	Income from pooled investment vehicles	-7.6
0.0	Interest on cash deposits	-0.7
	Change in market value of investments (Note 5):	
-64.8	Realised profit (-) or loss on sales	-96.4
-18.2	Unrealised profit (-) or loss on investments	-73.0
	Taxes on Income	
1.0	Tax we cannot claim back	0.7
6.0	**Investment management expenses** (Note 18)	6.1
-97.4	**Net returns on investments**	**-184.8**
-100.0	**Net increase (-) / decrease in fund during the year**	**-158.9**

2013/2014 £ millions	Pension fund net assets	2014/2015 £ millions
100.0	Net increase / decrease (-) in fund during the year	158.9
1,379.2	Add opening net assets of the scheme	1479.2
1,479.2	**Net assets at the end of the year**	**1638.1**

As at 31 March 2014 £ millions	Net assets statement	As at 31 March 2015 £ millions
	Investment assets (Note 5)	
6.6	Fixed interest securities	7.7
468.6	Stocks and shares	532.5
991.6	Managed funds	1,064.7
10.4	Cash and deposits	24.1
0.5	Other Investments	2.3
1,477.7		**1,631.3**
	Current assets	
5.5	Debtors (Note 19)	9.4
0.0	Cash balances (Note 20)	1.0
	Current liabilities	
-3.3	Creditors (Note 19)	-3.6
-0.7	Cash balances (Note 20)	0.0
1.5		6.8
1,479.2	**Net assets at the end of the year**	**1,638.1**

Notes

1 Operations and Membership

We administer the statutory Warwickshire Local Government Pension Fund (a defined benefit scheme set up under the Local Government Pension Scheme Regulations 1997).

The Scheme is a statutory scheme, established by an Act of Parliament, the Superannuation Act 1972. The Scheme is governed by the following regulations:

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The fund is open to our employees, the five district and borough councils and other organisations. You can find a list of scheduled and admitted bodies in Note 8. The fund does not cover teachers, police officers or firefighters as these staff have alternative pension arrangements. The Pension Fund Investment Sub-committee is responsible for managing the pension fund. It is made up of five County Councillors. A specialist advisor provides advice and guidance to the sub-committee as well as to the Head of Finance and his staff.

The Public Services Pensions Act 2013 led to the primary legislative framework for all of the public services pension schemes. The Local Government Pension Scheme was amended from April 2014 when the above regulations came into force. The LGPSR 2013, saw the introduction of a career related pension scheme based on an accrual of 1/49th of pensionable pay received. The pension awarded each year would be revalued in line with earnings as notified by government.

There are protections in place for existing members at 1 April 2014 and the benefit structure for a member with in excess of six years membership is:

Service prior to 1 April 2008 at 1/80th pensionable pay provides an annual pension and a tax free lump sum based on 3/80th

Service from 1 April 2008 to 31 March 2014 at 1/60th of pensionable pay provides an annual pension.

Membership from 1 April 2014 provides an annual pension of 1/49th of pensionable pay.

Contributions to the LGPS prior to 1 April 2014 were assessed on full-time equivalent pay and excluded non-contractual elements of pay such as overtime and bonus. Whereas, contributions to LGPS2014 are assessed on all pensionable pay received (including overtime and bonus). The contribution bandings were extended with many of the higher paid seeing an increase in contributions. LGPS2014 also saw the introduction of the 50 / 50 option allowing members the opportunity to contribute a 50% contribution for 50% of the benefit entitlement.

As at 31 March 2014	Membership	As at 31 March 2015
16,502	Number of members contributing to the fund	16,435
11,035	Number of pensioners paid by the fund	11,425
14,367	Number of ex-members whose pension rights are 'frozen' until they retire	14,965

2 Accounting Policies

The accounts of the pension fund contain the information set out in the Code of Practice on Local Authority Accounting 2014/2015 (The Code). The Code says the accounts must adhere to the SORP Financial Reports of Pension Schemes (the Pensions SORP). As a result, the accounting policies are consistent with the Pensions SORP. The accounts give a summary of the transactions and net assets of the fund. The accounts do not include the liability to pay pensions and other benefits in the future. This is dealt with by the actuary's valuation every three years.

We have prepared the financial statements on an ‘accruals basis’. This means that we account for income and expenditure as we earn or agree to spend it, not when we actually receive or pay it.

a How we have prepared these accounts
The following accounting policies have been applied when preparing the financial statements.

b Valuing investments

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price on the final day of the accounting period.

ii) Fixed interest securities

Are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed adhere to industry guidelines, to standards set by the constituent documents of the pool or the management agreement.

- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

- Investments in private equity funds and unquoted listed partnerships are valued based on the fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

The value of fixed interest investments in the scheme's investment portfolio excludes interest earned but not paid over at the end of the financial year. This is included in "Other Investments" in the accounts and Note 5.

We include acquisition costs in the purchase costs of investments.

c Investment income

We account for income from stocks and shares on the date shares are quoted 'ex-dividend'. Income from overseas investments is recorded excluding irredeemable withholding tax.

We account for income from fixed interest and index linked securities, cash, short term deposits and other investments on an accruals basis.

The change in the market value of investments during the year includes all increases and decreases in the market value of investments held at any time during the year. This includes profits and losses on selling investments and unrealised changes in market value.

d Foreign currencies

If there are forward exchange contracts in place for assets and liabilities in foreign currencies, we have used the contract rate. Other assets and liabilities in foreign currencies are shown in sterling at the rate of exchange at the end of the financial year. We translate income from overseas investments into sterling at an average rate for the period in which we received it.

We account for gains and losses arising from converting currencies as part of the change to the market value of investments. The exception is where there is a foreign currency derivative acting as a cash-flow hedge on investments; we would class this gain separately as realised profit in the fund account.

e Contributions

We account for normal contributions from members and employers in the payroll month to which they relate, at rates set out in the Rates and Adjustments Certificate. We account for extra contributions from employers in line with the agreement under which they are paid or, if there is no agreement, when we receive them.

f Benefits due to be paid

Under the scheme rules, members receive a lump sum retirement grant in addition to a pension. We account for lump sum retirement grants at the date members retire. If a member chooses to take a greater retirement grant in return for a reduced pension, we account for these amounts on an accruals basis from the date the member takes this option.

We account for other benefits on the date the member leaves the plan or dies.

g Transfer to and from other schemes

Transfer values relate to amounts we receive from other pension funds for new members or to amounts we pay to other pension schemes for members who have left the fund. These are accounted for when either received or paid. This is normally when the member liability is accepted or discharged.

h Other expenses

We account for administration and investment management expenses on an accruals basis. These expenses do not include any VAT that can be recovered.

We have worked out our fund manager fees in line with the appropriate contract and the associated contract agreement as follows.

Fund manager	Mandate	Negotiated fee
State Street Global Advisors	Passive Index Tracker (UK stocks and shares)	Percentage of the fund
Threadneedle Investment Services	UK stocks and shares	Percentage of the fund
MFS Investment Management	Global stocks and shares	Percentage of the fund
BlackRock Global Investors	Passive index tracker (Balanced)	Percentage of the fund
Schroder Investment Management	Fund of funds (UK property)	Percentage of the fund
Legal and General Investment Management	Passive index tracker (global stocks and shares)	Percentage of the fund
Legal and General Investment Management	Passive index tracker (fixed income)	Percentage of the fund
Threadneedle Investments	Pooled Fund (UK property)	Percentage of the fund
Blackstone Group International	Fund of funds (hedge funds)	Percentage of the fund
HarbourVest Partners	Fund of Funds (private equity)	Percentage of the fund
J P Morgan	Absolute Return Strategic Bond	Percentage of the fund

i Private Equity

The determination of fair value of private equity investments can be subjective as these investments are not publicly listed. Valuations are based on forward looking estimates and judgements involving many factors. The unquoted private equity has been valued by the fund manager using guidelines set out by the British Venture Capital Association. The total private equity investment in the pension fund is valued at £31.1 million.

j Taxation

The fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

k Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

l Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

m Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 3. This estimate is subject to significant variances based on changes to the underlying assumptions.

n Assumptions made about the future

The Statement of Accounts contains estimated figures that are based on assumptions made by the pension fund 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 actuarial valuation at 2013 had made an assumption for the next three financial years and set contribution rates on their view of the future.

We have not made any critical judgements in compiling the accounts.

3 Actuarial Valuation

The purpose of an actuarial valuation, which by law must be carried out every three years, is to assess the ability of the fund to meet its long-term liabilities. The actuary assesses the future growth in the value of the fund, and the future liability to pay pensions to current and former employees. The difference between projected assets and liabilities sets the amount employers must contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities.

The actuarial valuation as at 31 March 2013 in the report calculated a funding level of 77%. A revised schedule of employers' contribution rates came into force from 1 April 2014.

During 2014/2015, the County Council contribution rate was 16.75%. Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer. Full details can be found in the 2013 actuarial valuation report and the funding strategy statement on the fund's website.

The assumptions used for the March 2013 actuarial valuation were as follows:

Actuarial Valuation	Nominal %	Real %
Post Retirement Discount Rate	4.60%	2.10%
Pre Retirement Discount Rate	4.60%	2.10%
Salary Increases	4.30%	1.80%
Price Inflation / Pension Increases	2.50%	-

The fund is valued using the projected unit method which is consistent with the aim of achieving the 100% funding level described above. At the 31 March 2013 actuarial valuation, the fund's assets were valued at £1,379 million.

4 Fund Manager Holdings

2013/2014 £ millions	%	Market value of external investments	2014/2015 £ millions	%
108.5	7.4	State Street Global Advisors (Index Tracker UK Equities)	36.5	2.2
237.3	16.1	Threadneedle Investments (UK Equities)	259.3	15.9
239.9	16.2	MFS Investment Management (Global Equities)	289.4	17.8
250.1	16.9	Black Rock Global Investors (Index Tracker)	284.4	17.4
138.0	9.3	Legal and General Investment Management (Index Tracker - Global Equities)	220.9	13.5
150.9	10.2	Legal and General Investment Management (Index Tracker - Fixed Income)	177.2	10.9
74.4	5.1	Threadneedle Investments (Property)	88.4	5.4
67.9	4.6	Schroder Investment Management (Property)	79.7	4.9
66.9	4.5	Blackstone Group International (Hedge Funds)	79.7	4.9
16.5	1.1	HarbourVest (Private Equity)	31.1	1.9
63.6	4.3	Baring Asset Management (Absolute Return)	0.0	0.0
59.1	4.0	JP Morgan (Strategic Bond)	76.6	4.7
4.6	0.3	BNY Mellon (Global Custodian)	8.1	0.5
1,477.7	**100.0**	**Total**	**1,631.3**	**100.0**

5 Investments

	Value 1 April 2014 £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Increase in debtors or (creditors) £ millions	Value 31 March 2015 £ millions
Fixed interest securities	6.6	0.0	-0.1	0.0	1.2	0.0	7.7
Stocks and shares	468.6	109.2	-101.5	19.1	37.1	0.0	532.5
Managed funds	991.6	239.2	-277.6	76.8	34.7	0.0	1,064.7
Cash and deposits	10.4	171.4	-155.7	0.5	0.0	-2.5	24.1
Other investments	0.5	0.6	-1.3	0.0	0.0	2.5	2.3
Total	**1,477.7**	**520.4**	**-536.2**	**96.4**	**73.0**	**0.0**	**1,631.3**

	Value 1 April 2013 £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Increase in debtors or (creditors) £ millions	Value 31 March 2014 £ millions
Fixed interest securities	6.9	0.0	0.0	0.0	-0.3	0.0	6.6
Stocks and shares	420.0	116.9	-103.6	22.4	12.9	0.0	468.6
Managed funds	943.8	144.8	-145.3	42.5	5.8	0.0	991.6
Cash and deposits	6.4	60.6	-59.5	-0.1	-0.2	3.2	10.4
Other investments	0.8	3.0	-0.1	0.0	0.0	-3.2	0.5
Total	**1,377.9**	**325.3**	**-308.5**	**64.8**	**18.2**	**0.0**	**1,477.7**

2013/2014 £ millions		2014/2015 £ millions
	Fixed interest securities	
6.6	UK quoted	7.7
6.6		**7.7**
	Stocks and shares	
219.5	UK quoted	263.0
249.1	Overseas quoted	269.5
468.6		**532.5**
	Managed funds	
991.6	Managed funds	1064.7
991.6		**1064.7**
	Cash and deposits	
7.8	Sterling	18.7
2.6	Foreign currency	5.4
10.4		**24.1**
	Other investments	
2.0	Debtors	2.5
-1.5	Creditors	-0.2
0.5		**2.3**

The change in market value of investments during the year includes all increases and decreases to the market value of investments held at any time during the year, including profits and losses made when selling investments during the year.

6 Contributions and Benefits

2013/2014 £ millions	Contributions we receive	2014/2015 £ millions
	Administering authority	
23.5	~ From employers	25.2
8.5	~ From employees	8.5
32.0		33.7
	Scheduled bodies	
18.6	~ From employers	21.5
6.6	~ From employees	7.0
25.2		28.5
	Admitted bodies	
6.9	~ From employers	6.3
0.7	~ From employees	0.6
7.6		6.9
	Non-scheduled bodies	
0.0	~ From employers	0.1
0.0	~ From employees	0.0
0.0		0.1
64.8	**Total**	**69.2**

The total contributions we received from employers was £53.1 million (£49 million in 2013/2014) and £16.1 million (£15.8 million in 2013/2014) from employees.

Employees contributions during the year included payments of £0.2 million to buy added year and additional regular contributions (£0.2 million in 2013/2014) for added years.

Employers' contributions during the year included £1.9 million received from employers for compensation to the fund for those retiring early and being made redundant (£1.2 million in 2013/2014).

The funding objective is to achieve and maintain a funding level of 100% of liabilities. For this reason a certain proportion of employer contribution received will be to reduce an existing deficit.

2013/2014 £ millions	Analysis of contributions by type	2014/2015 £ millions
15.6	Employee contributions - normal	15.9
0.2	Employee contributions - purchase of additional years	0.2
31.7	Employers contributions - normal, rechargeable and early retirement strain	43.6
17.3	Employers deficit funding Contributions	9.5
64.8	**Total**	**69.2**

2013/2014 £ millions	Benefits to be paid	2014/2015 £ millions
	Administering authority	
35.0	~ Pension paid (including lump sums)	36.1
1.6	~ Transfers out (Including Refunds)	2.2
36.6		38.3
	Scheduled bodies	
25.2	~ Pension paid (including lump sums)	26.7
1.7	~ Transfers out (Including Refunds)	31.0
26.9		57.7
	Admitted bodies	
2.6	~ Pension paid (including lump sums)	2.9
0.4	~ Transfers out	0.0
3.0		2.9
	Non-scheduled bodies	
0.6	~ Pension paid (including lump sums)	0.6
0.0	~ Transfers out	0.0
0.5		0.6
67.1	**Total**	**99.5**

The total pensions paid out (including lump sums) was £66.3 million (£63.4 million in 2013/2014) and the total transfers out (Including Refunds) was £33.2 million (£3.7 million in 2013/2014).

7 Statement of Investment Principles

The Investment Board approved a statement of investment principles in April 2013. You can get a copy by writing to the Resources Group, PO Box 3, Shire Hall, Warwick CV34 4RH or from the website:

www.warwickshire.gov.uk/pensions.

8 Organisations Contributing to the Fund

Scheduled bodies

- Alcester Grammar Academy
- Alcester High Academy
- Alcester St Nicholas Academy
- Alcester Town Council
- Ash Green Academy
- Ashlawn Academy
- Atherstone Town Council
- Aylesford School Academy
- Bilton High Academy
- Bishops Itchington Parish Council
- Bidford upon Avon Parish Council
- Burton Green Parish Council
- Campion School Academy
- Cawston Grange Primary Academy
- Central Multiple Academy Trust Admin Centre
- Central Multiple Academy Trust Academy (5 schools)
- Clifton on Dunsmore Parish Council
- Coleshill Academy
- Coleshill Town Council
- Community Academy Trust (5 schools)
- Coventry Diocese Trust (4 schools)
- Curdworth Parish Council
- Erudition Trust (2 schools)
- Ettington Parish Council
- Griffin Trust Academy (3 schools)
- Heartwood Academy Trust (4 schools)
- Henley High Academy
- Henley Primary Academy
- Henry Hinde Academy
- Higham Lane Academy
- Holy Spirit Academy Trust (9 schools)
- King Edward VI College, Nuneaton
- Kingsbury Parish Council
- Lawrence Sheriff Academy
- Long Itchington Parish Council
- Long Lawford Parish Council
- Mancetter Parish Council
- Matrix Academy Trust
- The Midland Academies Trust (3 schools)
- Myton Academy
- Napton Parish Council
- National Education Trust (2 schools)
- North Warwickshire and Hinckley College
- North Warwickshire Borough Council
- Nuneaton and Bedworth Borough Council
- Polesworth Nethersole Academy
- The Priors Free School Academy
- Reach 2 Academy (2 schools)
- Rugby Borough Council
- Royal Leamington Spa Town Council
- Rugby High Academy
- Ryton on Dunsmore Parish Council
- Shipston High Academy
- Shipston Town Council
- Southam Town Council
- Stour Federation (2 schools)
- Stratford upon Avon College
- Stratford on Avon District Council
- Stratford on Avon Girls Grammar Academy
- Stratford on Avon Girls King Edward VI Academy
- Stratford on Avon School
- Stratford upon Avon Town Council
- Studley High Academy
- Studley Parish Council
- Tanworth in Arden Academy
- Tudor Grange Academy Trust
- Warwick District Council
- Warwickshire College
- Warwickshire County Council
- Warwickshire Police and Crime Commission
- Warwickshire Probation Service
- Warwickshire Valuation Tribunal
- Wellesbourne Parish Council
- Whitnash Town Council

Admitted bodies

- ABM Catering
- Alliance in Partnership (3 contracts)
- Balfour Beatty
- Barnardo's (6 contracts)
- Bedworth, Rugby and Nuneaton Citizens Advice Bureau
- Class Catering (8 contracts) (Alliance in Partnership)
- Coventry Mind
- Goldcrest Cleaning
- Lawrence Cleaning
- Mid Warwickshire MENCAP
- NSL
- Nuneaton Leisure (SLM)
- Nuneaton Mencap
- Orbit Housing and Care Group (Sanctuary Housing)
- Rugby Town Centre Company Limited
- Shipston Leisure (SLM)
- Solihull School
- Stratford and District MENCAP
- Stratford upon Avon Council for Voluntary Service
- Stratford upon Avon Citizens Advice Bureau
- Stratford upon Avon Town Trust Co Ltd
- Stratford Artshouse Trust
- Superclean Services
- Taylor Shaw (5 contracts)
- The Parenting Project
- The Rowan Organisation
- Warwick District Citizens Advice Bureau
- Warwick Schools
- Warwickshire Association for the Blind
- Warwickshire Care Services Ltd
- Warwickshire Day Care Centres
- Warwickshire Welfare Rights Service
- Westfield Community Development Association

Other admitted bodies with pensioners but no pensionable employees

- Beaudesert and Henley-in-Arden Joint Parish Council
- Lapworth Parish Council
- North Warwickshire Council for Voluntary Service
- Nuneaton and Bedworth Leisure Trust
- Nuneaton and Bedworth Council for Voluntary Service
- Orbit Housing Group
- People in Action
- Remnant Water Authority
- Rugby Council for Voluntary Service
- Rugby MENCAP Hostels
- Rugby MIND and Rugby Mental Health Association
- Severn Trent Water Plc
- Solihull Metropolitan Borough Council
- St Paul’s College
- Stretton on Dunsmore Parish Council
- Warwick Town Council
- Youth Clubs UK
- Stonham (Home Group Ltd) (Ceased November 2013)

9 Transfers

2013/2014 £millions	Transfers In From Other Pension Funds	2014/2015 £millions
-0.7	Group transfers	-0.7
-5.7	Individual transfers	-5.0
-6.4		**-5.7**

2013/2014 £millions	Transfers Out of The Scheme	2014/2015 £millions
0.0	Group transfers	29.3
3.7	Individual transfers	3.7
3.7		**33.0**

In January 2015 a group transfer of £29.3m was paid out in respect of Warwickshire Probation Trust. This was paid over to Greater Manchester Pension Fund who now manage these scheme members.

10 Additional Voluntary Contributions

In 2014/2015, some members of the pension scheme paid voluntary contributions to Equitable Life and Standard Life to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include the assets held by Equitable Life or Standard Life, which were valued at £0.4 million in Equitable Life, and £2.7 million in Standard Life on 31 March 2015. The pension fund accounts also do not include additional voluntary contributions. During the financial year 2014/2015, employees contributed £0.3 million in additional voluntary contributions to Standard Life and £3,500 to Equitable Life.

In accordance with Regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 these amounts are not included in the Pension Fund Accounts but are disclosed as a note only.

11 Related Party Transactions

Warwickshire County Council is the administering authority and largest employer of the Pension Fund; consequently there is a strong relationship between the council and the fund. The County Council incurred costs of £0.7 million in relation to the staffing and running costs of the fund and has been reimbursed by the fund for these expenses. There is no co-mingling of cash, the Pension Fund manages its own bank account and operates its own cash flow.

The scheduled and admitted bodies of the fund are related parties; these can be found listed in Note 8.

There is one member of the investment board in receipt of a pension from the fund and one active member of the pension fund. Each member is required to declare their interests at each meeting. Several employees of Warwickshire County Council hold key positions in the financial management of the Pension Fund. These employees and their financial relationship with the fund (expressed as cash-equivalent transfer values) are set out below.

	Accrued pension as at 31 March 2014 £	**Accrued pension as at 31 March 2015 £**
Head of Corporate Finance	541,252.87	577,607.34
Head of Corporate Financial Services	211,113.89	231,864.99
Pensions Manager	358,625.21	387,070.30
Treasury and Pension Fund Manager	112,187.32	135,036.89
Principal Accountant	21,546.13	27,860.65

12 Investment Performance

Investment Performance	**Our pension fund %**	**Our benchmark %**	**Local Authority Average %**
Yearly return on investments for 2014/2015	12.89%	11.83%	13.20%

Overall in the financial year 2014/2015, the fund had a return of 12.89% compared with the fund's specific benchmark of 11.83%.

Investment Performance	**Our pension fund %**	**Our benchmark %**	**Local Authority Average %**
Yearly return on investments for 2013/2014	7.34%	6.03%	6.30%

13 Actuarial Present Value of Promised Retirement Benefits as Provided by Hymans Robertson Pension Fund Actuary.

CIPFA's Code of Practice on Local Authority Accounting 2014/15 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire County Council Pension Fund, which is in the remainder of this note.

Balance Sheet

Year ended	31 Mar 2014 £ millions	31 Mar 2015 £ millions
Present Value of Promised Retirement Benefits	2,112.0	2,542.0

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The estimated liability at 31 March 2015 comprises £1,263m in respect of employee members, £436m in respect of deferred pensioners and £844m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the Pension Fund is satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. Allowance has not been made for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. The estimate of the impact due to the change of assumptions to 31 March 2015 is to increase the actuarial present value by £348m.

Financial assumptions

The financial assumptions are summarised below:

Year ended	31 Mar 2014 % p.a	31 Mar 2015 % p.a
Inflation/Pensions Increase Rate	2.80%	2.40%
Salary Increase Rate	4.60%	4.30%
Discount Rate	4.30%	3.20%

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the CMI_2010 model, assuming the current rate of improvements has reached a peak and will converge in a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.4 years	24.4 years
Future Pensioners*	24.3 years	26.6 years

*Future pensioners are assumed to be currently aged 45

Please note that the assumptions are identical to those used for the previous IAS26 disclosure for the Fund.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Professional notes

This paper accompanies the covering report titled 'Actuarial Valuation as at 31 March 2015 for IAS19 purposes' dated 27 April 2015. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA
21 May 2015
For and on behalf of Hymans Robertson LLP

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £2,542 million, this figure is used for statutory accounting purposes by Warwickshire County Council Pension Fund and complies with the requirements of IAS26.

The assumptions underlying the figure match those adopted for the Administering Authority's FRS17/IAS19 reports at each year end. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

14 Risk and How the Pension Fund Manages the Risks Faced

The Pension Fund's activities expose it to a variety of risks:

***Credit risk**:* the possibility that other parties might fail to pay amounts due to the Pension Fund.

***Liquidity risk**:* the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

***Market risk**:* the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

Credit risk

The Pension Fund is exposed to credit risk through stock lending, derivative contracts, and its daily treasury activities.

The stock lending programme is administered by the Fund's custodian, Bank of New York Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for stock on loan is 105%. This level is assessed daily to ensure it takes account of market movements. In accordance with investment regulations, stock lending is restricted at no more than 25% of the total market value of the stock held within the Fund at any time.

Responsibility for managing the financial risks associated with derivative contracts rests with the appointed investment fund managers, whose performance is regularly monitored and reviewed.

The Pension Fund's bank account is held at Lloyds TSB, which holds a Fitch AA- long term credit rating (or equivalent). The Fund's cash balance is lent to borrowers in accordance with the County Council's Treasury Management Strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any one of those counterparties.

Liquidity risk

The Pension Fund holds a working cash balance or overdraft in its bank account to pay pensions and other benefits. Cash is also required if the Fund's Private Equity Fund of Fund's manager requires additional funds. The Fund currently enjoys a long term positive cash flow. Cash flow surpluses are invested with fund managers as and when required. The Pension Fund is authorised to borrow on a short term basis to fund cash flow deficits.
The fund actuary produces regular cash flow forecasts which are presented to the investment sub-committee who will take action where appropriate.

Market risk

To mitigate market risk, the Pension Fund is invested in a diversified pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. The management of the assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. Each manager is expected to maintain a diversified portfolio within their allocation. Risk associated with the strategy and investment return are regularly monitored and reviewed by the Pension Fund Investment Board.

Interest rate risk is the risk to which the Pension Fund is exposed to changes in interest rates and mainly relates to holdings in bonds. This risk is managed by Legal & General and BlackRock who are the Fund's appointed bond portfolio investment managers.

For investments denominated in non-sterling currencies, the Pension Fund is exposed to currency risk as a result of possible fluctuations in foreign currency exchange rates. So far as the Fund's equity investments are concerned, these risks are mitigated to some extent by the global nature of their underlying businesses. Furthermore, investment fund managers will take account of currency risk in their investment decisions.

A table has been prepared detailing our exposure to all non-UK assets. In order to calculate this, we created a currency basket based on the fund's foreign currency mix. We do this by multiplying the proportion of each currency by the change in its exchange rate (relative to GBP) and sum to create the aggregate currency change of the 'basket'.

2014/15

Currency	Value £millions	% Change	Value on Increase £millions	Value on Decrease £millions
Brazilian Real	3	11.7%	3	2
Canadian Dollar	5	6.7%	6	5
Czech Republic Koruna	1	7.5%	1	1
Danish Krone	2	6.2%	2	2
EURO	91	6.1%	97	86
Israeli Shekel	1	7.3%	1	1
Japanese Yen	5	11.0%	5	4
Mexican Peso	1	9.4%	1	1
South Korean Won	2	6.6%	2	2
Swedish Krona	4	7.3%	4	3
Swiss Franc	30	9.3%	32	27
Thai Baht	1	8.1%	1	1
US Dollar	167	7.8%	180	154
Global ex UK Basket	5	6.1%	5	5
Asia Pacific Basket	23	7.3%	25	21
Asia Pacific ex Japan Basket	27	6.4%	29	25
Total	**367**	**7.4%**	**395**	**340**

2013/14

Currency	Value £millions	% Change	Value on Increase £millions	Value on Decrease £millions
Brazilian Real	2	12.7%	2	2
Canadian Dollar	11	6.0%	12	10
Czech Republic Koruna	1	8.8%	1	1
Danish Krone	2	6.3%	2	2
EURO	76	6.3%	81	10
Indian Rupee	1	10.8%	1	1
Israeli Shekel	1	6.9%	1	1
Japanese Yen	4	11.5%	5	4
Mexican Peso	1	10.0%	1	1
South Korean Won	2	6.6%	2	2
Swedish Krona	2	7.0%	2	2
Swiss Franc	26	7.4%	27	24
Thai Baht	1	7.4%	1	1
US Dollar	134	8.1%	145	123
Asia Pacific ex Japan Basket	39	6.1%	42	37
Total	**302**	**7.3%**	**324**	**219**

Table may not sum due to roundings

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

An additional area of risk is the outsourcing of custody and accounting services to external third party service organisations. The main service area that the Pension Fund outsources is its custody arrangements with Bank of New York Mellon. The Fund's custodian is responsible for the safekeeping of the Fund's assets and acts as the Fund's clearing bank, settling transactions and collecting income. In addition, they provide a range of support services including stock lending and investment accounting. Bank of New York Mellon is a global industry leader and provides the custodian service to many English local government pension scheme administering authorities.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds so the overall outcome depends on the asset allocation of the fund. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The closing investment assets of the scheme have been assessed for price risk in the following table.

2014/15

Asset Type	Value £millions	% Change	Value on Increase £millions	Value on Decrease £millions
UK Equities	591.6	10.3%	652.7	530.5
Overseas Equities	382.6	10.1%	421.3	343.9
Total Bonds & IL	280.1	6.1%	297.1	263.1
Cash	24.5	0.0%	24.5	24.5
Alternatives	187.4	2.3%	191.7	183.1
Property	165.1	3.2%	170.3	159.9
Total Assets	**1,631.3**		**1,757.6**	**1,505.0**

2013/14

Asset Type	Value £millions	% Change	Value on Increase £millions	Value on Decrease £millions
UK Equities	530.0	12.3%	595.2	464.8
Overseas Equities	357.7	12.2%	401.5	313.9
Total Bonds & IL	232.1	4.8%	243.2	221.0
Cash	9.5	0.0%	9.5	9.5
Alternatives	206.1	3.4%	213.0	199.2
Property	142.3	2.7%	146.1	138.5
Total Assets	**1,477.7**		**1,608.6**	**1,346.8**

Table may not sum due to roundings

The % change for Total Assets includes the impact of correlation across asset classes

15 Other Disclosures

At 31 March 2015, the fund had stock valued at £2.5 million (£9.0 million at 31 March 2014) which was lent out to other organisations. The collateral held against this stock was valued at £2.7 million. This generated a total income of £0.1 million up to 31 March 2015.

With the delivery of loaned stock to borrowers the fund obtains collateral to the required percentage of market value at 102% where held in £GBP or 105% in any other currency. The fund has full beneficial ownership of the collateral during the length of the loan made. Of the £2.7m held in collateral at 31 March 2015 the entire sum is held in the form of Government debt and would be sold in the event of a borrower being unable to repay the loaned stock to the fund.

The fund does not hold any property directly. Property is held in the form of pooled funds.

Our policy is to reinvest income from fixed interest securities within the pooled units of the fund. During 2014/2015 we did not earn any interest from fixed interest securities held in pooled units.

During the year 2014/2015, the pension fund paid refunds of contributions to employees of £0.1m after tax has been deducted.

Transaction costs totalling £0.5 million attributable to the acquisition and disposal of the fund investments have been added to purchase costs and netted against sale proceeds as shown in note 5.

Withholding tax has only been incurred against equities held actively by the fund.

The fund paid its external auditors a fee of £0.024 million during the year 2014/2015.

16 Management Expenses

2013/2014 £millions	Management Expenses	2014/2015 £millions
1.4	Administrative Costs	1.3
6.0	Investment Management Expenses (note 18)	6.1
7.4		**7.4**

17 Investment Income

2013/2014 £000	Investment Income	2014/2015 £000
5.9	Cash - UK - From administration of the Fund	0.5
5.9	Cash & Other Investments - UK - Fund Mgrs	697.5
0.0	Cash & Other Investments - Overseas	-8.9
9,236.7	Equities - UK	8,468.4
2,171.8	Equities - North America	2,385.1
2,414.8	Equities - Europe	2,469.5
127.5	Equities - Japan	84.8
38.0	Equities - Pacific (Ex Japan)	32.9
78.7	Equities - Emerging Markets	403.0
34.6	Stock Lending	96.0
3,200.9	Pooled Property Investments	4,037.6
4,062.8	Pooled Investments - Unit Trusts and Other Managed Funds	3,559.9
21,377.6		**22,226.3**

Table may not sum due to roundings

18 Investment Expenses

2013/2014 £millions	Investment Expenses	2014/2015 £millions
5.9	Management Fees	6.0
0.1	Custody Fees	0.1
6.0		**6.1**

19 Analysis of Debtors and Creditors

2013/2014 £millions	Debtors	2014/2015 £millions
2.9	Contributions due from Employers	2.5
1.2	Contributions due from Employees	1.3
0.1	Debtors - Strain on Fund	0.0
0.8	Sales to Cash (Invoiced Debtors)	4.3
0.5	Other Debtors	1.3
5.5		**9.4**

2013/2014 £millions	Creditors	2014/2015 £millions
0.8	Owed to Administrating Authority	1.2
1.9	Creditors - Suppliers	1.6
0.1	Creditors - Income Received in Advance	0.1
0.5	Creditors - Retirements	0.7
3.3		**3.6**

20 Financial Instruments

The following tables present the funds closing net assets by category of financial instrument.

Financial Instruments 2014/2015	Fair Value Through Profit and Loss £ millions	Loans and Receivables £ millions	Financial Liabilities (current) £ millions	Total £ millions
Fixed interest securities	7.7	0.0	0.0	7.7
Stocks and shares	532.5	0.0	0.0	532.5
Managed funds	1,064.7	0.0	0.0	1,064.7
Cash and deposits	0.0	24.1	0.0	24.1
Other Investments	0.0	2.5	-0.2	2.3
Debtors	0.0	9.4	0.0	9.4
Cash balances	0.0	1.0	0.0	1.0
Creditors	0.0	0.0	-3.6	-3.6
Net assets at the end of the year	**1,604.9**	**37.0**	**-3.8**	**1,638.1**

Financial Instruments 2013/2014	**Fair Value Through Profit and Loss £ millions**	**Loans and Receivables £ millions**	**Financial Liabilities (current) £ millions**	**Total £ millions**
Fixed interest securities	6.6	0.0	0.0	6.6
Stocks and shares	468.6	0.0	0.0	468.6
Managed funds	991.6	0.0	0.0	991.6
Cash and deposits	0.0	10.4	0.0	10.4
Other Investments	0.0	2.0	-1.5	0.5
Debtors	0.0	5.5	0.0	5.5
Cash balances	0.0	0.0	-0.7	-0.7
Creditors	0.0	0.0	-3.3	-3.3
Net assets at the end of the year	**1,466.8**	**17.9**	**-5.5**	**1,479.2**

The following table shows the net gains on the different categories of instruments above, (shown in the fund accounts as realised and unrealised profit).

2013/2014 £millions		**2014/2015 £millions**
-83.0	Fair Value through profit and loss	-169.4
0.0	Loans and Receivables	0.0
0.0	Financial Liabilities (current)	0.0
-83.0		**-169.4**

The following tables categorise financial instruments according to the information used to determine their fair values:

Quoted market price - where fair values are derived from a price in an active market.

Using observable inputs - where valuation techniques have been used to arrive at a value in an in active market.

With significant unobservable inputs the values will rely on judgement and assumptions where there is no market data.

The carrying value of assets is the same as their fair value.

Valuation at 31 March 2015	Quoted market price £ millions	Using observable inputs £ millions	With significant unobservable inputs £ millions	Total £ millions
Financial assets at fair value	610.1	884.0	110.8	1,604.9
Net assets at the end of the year	**610.1**	**884.0**	**110.8**	**1,604.9**

Valuation at 31 March 2014	Quoted market price £ millions	Using observable inputs £ millions	With significant unobservable inputs £ millions	Total £ millions
Financial assets at fair value	1,241.3	142.1	83.4	1,466.8
Net assets at the end of the year	**1,241.3**	**142.1**	**83.4**	**1,466.8**

	Value 1 April 2014 £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Value 31 March 2015 £ millions
Fund of Hedge Funds	66.9	8.1	0	0	4.7	79.7
Private Equity	16.5	12.4	-3.5	1	4.7	31.1
Total	**83.4**	**20.5**	**-3.5**	**1**	**9.4**	**110.8**

	Value 1 April 2013 £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Value 31 March 2014 £ millions
Fund of Hedge Funds	62.1	65.7	-65.7	15.6	-10.8	66.9
Private Equity	11.7	5.7	-1.4	0.0	0.5	16.5
Total	**73.8**	**71.4**	**-67.1**	**15.6**	**-10.3**	**83.4**

Hedge Funds held by the fund are held within a fund of funds, the fund does not hold hedge funds directly.

Since incorporation of the requirements of IFRS 13 into the Code has been deferred until 2015/16, the financial statements do not include the measurement and disclosure requirements of that standard.

21 Investments Greater than 5% of Total Assets

The following table lists single investments that exceed 5% of the total investment assets of the Fund.

Security Description	Market Value £m 31/03/2015	% of Total Fund
L&G GRADE CP BOND ALL STOCKS	141.5	8.7%
THREADNEEDLE TPN PROPERTY A	88.5	5.4%
	230.0	

Security Description	Market Value £m 31/03/2014	% of Total Fund
L&G GRADE CP BOND ALL STOCKS	118.9	8.1%
SSGA UK EQUITY INDEX SUB-FUND	108.5	7.4%
L&G EUROPE (EX UK) EQUITY	77.1	5.2%
THREADNEEDLE TPN PROPERTY A	74.4	5.1%
	378.9	

22 Authorisation for Issue

These accounts have taken into account all known events up to ** September 2015. On that date the accounts were authorised for issue by the Head of Finance.

John Betts
Head of Finance

Glossary

An A to Z of Investment terms

A

Absolute Return

Absolute return investing aims to produce a positive return over time, regardless of the prevailing market conditions.

Active management

A style of investment management where the fund manager aims to outperform a *benchmark* by superior *asset allocation*, market timing or *stock selection* (or a combination of these). Compare with *passive management*.

Active risk

A measure of estimated *volatility* of fund performance against the *benchmark*. Also known as forecast *tracking error* or *relative risk*. In technical terms, it is defined as the forecast standard deviation of annual returns versus the *benchmark*. Active risk is usually quoted *ex-ante*, the *ex-post* measure of *volatility* of actual returns more usually being referred to as realised *tracking error*.

Actuarial valuation

A review of the assets and *liabilities* of a pension fund to determine the surplus or deficit, and the future rate of contributions required.

Alpha

The excess return of the fund relative to the return of the benchmark index is a fund's alpha. Consistently high alpha can indicate skilful management.

Alternative investments

Investments other than the mainstream *asset classes* of *equities* and *bonds*. Alternatives include *hedge funds*, *private equity*, *gold* and *commodities*. Property is also sometimes described as an alternative.

Asset allocation

The apportionment of a fund's assets between *asset classes*. See *strategic asset allocation* and *tactical asset allocation*.

Asset/liability modelling

A technique that gauges the suitability of various investment strategies by making projections of the future investment *returns* and *liabilities* of a fund.

B

Benchmark

A yardstick against which the investment policy or performance of a fund manager can be compared.

Beta

A measure of the expected movement in price of a stock or fund, given a movement in its benchmark. For example, suppose a stock has a beta of 1.2. If the market appreciates by 10%, the expected corresponding increase in stock price would be 12%.

British Venture Capital Association

The British Private Equity & Venture Capital Association (BVCA) is the industry body and public policy advocate for the private equity and venture capital industry in the UK.

C

Class action

A class action arises when a group of investors initiates a legal action against a company or its directors in respect of alleged negligence or illegal behaviour. The majority of class actions are initiated in the US. The case usually involves a claim for compensation in respect of share price losses in a specified period.

Combined Code

A code of *corporate governance* principles for UK companies. So called because it combines the recommendations of several key reports on corporate governance issues including those of the committees chaired by Cadbury, Greenbury, Hampel and Higgs.

Commission recapture

A commission recapture agreement is where *brokers*, who have received *directed commissions* from a client, agree to give back some of their *commission* to the client. Such an agreement would usually be facilitated by a third party (such as a *custodian*) who would take a share of the revenue.

Corporate governance

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management. Governance issues include executive pay levels and how institutional investors use their votes.

Currency risk

Investing in any securities not denominated in the investor's own base currency introduces currency risk due to the *volatility* of foreign exchange rates.

D

Debt Security

Any debt instrument that can be bought or sold between two Parties and has basic terms defined, such as notional amount (amount borrowed), interest rate and maturity/renewal date.

Defined benefit scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised. Compare with *defined contribution scheme*.

Defined contribution scheme

A type of pension scheme where employees' and the employer's contributions are fixed but the pension ultimately paid to the employee depends on the investment returns achieved by the contributions and annuity rates at retirement. Compare with *defined benefit scheme*.

Derivatives

Financial instruments that are based on the movements of underlying assets. They allow exposures to markets and individual assets to be adjusted, thereby adjusting the *risk* characteristics of a fund. Common types of derivative include *forward* contracts, *futures*, *options*, and *swaps*. Derivatives may be traded on an exchange, *or over the counter* (OTC).

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce *risk*.

Dow Jones Industrial Average

This is an *index* of the New York Stock Exchange and is a basket of thirty shares, chosen to represent the economy, that provides an indication of the general movement of prices in the market.

Duration

The duration of a *bond* is the sum of the present value of the future income and *redemption* payments, weighted by the number of years until receipt. Modified duration is a measure of the sensitivity of the price of a bond to changes in its *redemption yield*.

F

FRAG 21

Financial Reporting and Auditing Group guide on the issuance of reports to third parties on the internal controls of investment managers and custodians. The Group is part of the Institute of Chartered Accountants in England and Wales (ICAEW).

FRS 17/IAS19

An accounting standard which requires companies to incorporate their pension funds into their balance sheets and specifically that all pension fund *liabilities* should be valued using an AA corporate bond yield. Any mismatch between assets and liabilities is effectively brought on to the company's balance sheet, and can potentially increase the *volatility* of a company's share price.

FTSE All-Share Index

An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the *London Stock Exchange*. Updated daily. The FTSE 100 Index (or "Footsie") covers only the largest 100 companies.

Fund of hedge funds

See *hedge funds*.

G

Growth manager

A fund manager who aims to select stocks that he believes will achieve above-average profits growth. Compare with *value manager* and *momentum manager*.

H

Hedge Funds

A hedge fund is a capital pool that has the ability to use *leverage* and to take both *long* and *short* positions with the aim of achieving an *absolute return*. A large variety of hedge fund strategies exists and the level of *risk* taken will vary. Investors looking for a diversified exposure to hedge funds will normally opt for a fund of hedge funds – a fund with underlying investments in several hedge funds covering different strategies and geographical areas.

Hedging

A strategy that aims to reduce *risk*. For example, a *forward* currency transaction might be executed when investing in overseas *shares* or *bonds* to avoid volatility of returns due to exchange rate movements.

I

IMA

The Investment Management Association is the industry body for the investment industry. Formed from previous industry bodies IFMA and AUTIF, the IMA's role is to make representations to the UK government, publicise the use of investment funds and promote training and knowledge throughout the industry. IMA is also an acronym for *Investment Management Agreement*.

IFRS

A set of international accounting standards stating how

Particular types of transactions and other events should be reported in financial statements.

Infrastructure

Investment in assets that provide sustainable services that are essential for a functioning economy.

Index Tracker

An index fund that tracks a broad market index or a segment thereof. Such a fund invests in all, or a representative number of the securities within the index.

L

LIBID

London Inter-Bank Bid Rate. Interest rate at which prime banks will offer to take funds on deposit from other banks in the London Inter-Bank market.

LIBOR

London Inter-Bank Offer Rate. Interest rate at which prime banks will offer to lend money in the London Inter-Bank market.

London Stock Exchange (LSE)

The UK's main exchange for trading in *shares*.

Limited Partnership

Two or more partners united to conduct a business jointly, and in which one or more of the partners is liable only to the extent of the amount of money that partner has invested.

M

Momentum Manager

A system of buying stocks or other securities that have had high returns over the past three to twelve months, and selling those that have had poor returns over the same period.

Multi-Asset Management

Multi-asset management increase the diversification of an overall portfolio by distributing investments throughout several classes.

N

NAPF

National Association of Pension Funds. The UK industry body for pension funds.

P

Passive Management

A management strategy that seeks to match the return and risk characteristics of a market segment or index, by mirroring its composition.

PRAG

Pensions Research Accountants Group – responsible for issuing recognised Statements of Recommended Practice (SORPs) for pension schemes.

Pooled Funds

Funds from many individual investors that are aggregated for the purposes of investment, as in the case of a mutual or pension fund.

Private equity

Funds put up by investors to finance new and growing businesses. Also known as venture capital

R

Risk

In its simplest sense, risk is the variability of *returns*. Investments with greater inherent *risk* must promise higher expected returns if investors are to invest in them. Risk management is an important aspect of portfolio management and involves the use of complex statistical models. See also *active risk*.

Risk-free asset/rate

An investment with no chance of default, and a known or certain rate of *return*.

Risk premium

The extra *yield* over the risk-free rate demanded by investors to compensate them for bearing *risk*.

S

SORP

Statements of Recommended Practice issued by the accountancy profession. One SORP sets out recommendations on the form and content of the financial statements of pension schemes.

Specialist management

A fund management arrangement where there are separate accounts with one or a variety of managers for specific *asset classes*. A specialist fund manager is concerned primarily with *stock selection* within the specialist *asset class*. *Asset allocation* decisions are taken by the trustees, their consultant or a specialist *tactical asset allocation* manager. Compare with *multi-asset management*.

Statement of Investment Principles (SIP)

Trustees of pension funds are required under the Pensions Act 1995 to prepare and keep up to date this written statement of how their scheme's assets are invested. Essentially, it provides evidence that the trustees have thought through the suitability of their scheme's investment policy and how that policy is implemented.

Stocklending

The lending of a *security* by the registered owner, to an authorised third party, for a fixed or open period of time, for an agreed consideration secured by *collateral*. The demand to borrow *securities* comes mainly from *market makers* to cover *short positions* or take *arbitrage* opportunities.

Strategic Asset Allocation

Strategic asset allocation is a portfolio strategy that involves setting target allocations for various asset classes, then periodically rebalancing the portfolio to maintain these original allocations.

T

Tactical Asset Allocation

Tactical asset allocation (TAA) is a dynamic investment strategy that actively adjusts a portfolio's **asset allocation**. The goal of a TAA strategy is to improve the risk-adjusted returns of passive management investing.

Transaction costs

Those costs associated with trading on a portfolio, notably *stamp duty* and *commissions*. The *IMA Disclosure Code* sets out how investment managers should report details of these costs to their clients.

Transition

The transfer of assets from one fund manager to another which may involve buying and selling assets.

V

Value Asset Allocation

The strategy of selecting stocks that trade for less than their intrinsic values. Value investors actively seek stocks of companies that they believe the market has undervalued.

W

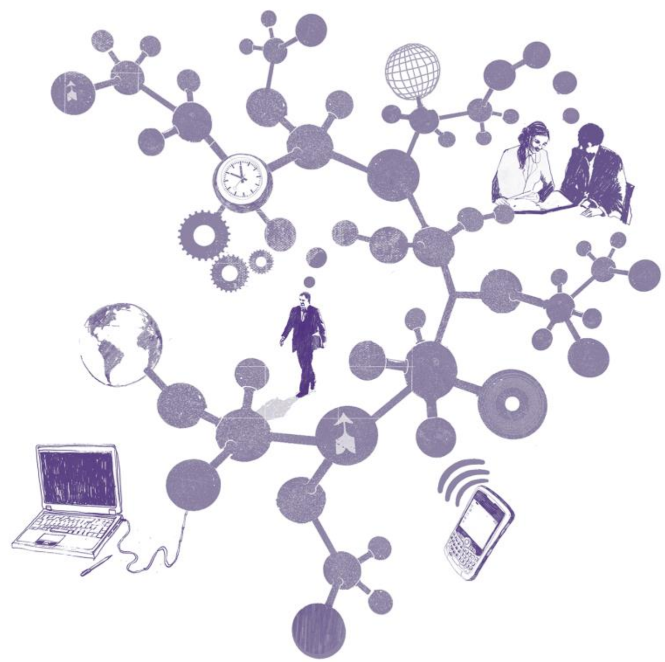
Witholding Tax

A tax deducted at source, especially one levied by some countries on interest or dividends paid to a person resident outside that country.

The Audit Findings for Warwickshire Pension Fund

Year ended 31 March 2015

9 September 2015



John Gregory
Director
T 0121 232 5333
E john.gregory@uk.gt.com

Helen Lillington
Manager
T 0121 232 5312
E helen.m.llillington@uk.gt.com

Tess S Barker
In-charge auditor
T 0121 232 5428
E tess.s.barker@uk.gt.com

Grant Thornton

Warwickshire County Council Pension Fund
Shire Hall
Warwick
CV34 4RL
9 September 2015

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

[T +44] (0)121 212 4000
www.grant-thornton.co.uk

Dear members

Audit Findings for Warwickshire Pension Fund for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Warwickshire Pension Fund, the Audit and Standards Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

John Gregory, Director.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Warwickshire Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 23 March 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation,
- updating our post balance sheet events review, to the date of signing the opinion,
- review of the Pension Fund annual report, and
- completion of the assurance controls work required by admitted bodies in relation to IAS 19.

We cannot formally conclude the audit and issue an audit certificate until we have completed our review of the Pension Fund Annual Report. We have agreed with officers that this will be provided to the audit team for the first week in September. We will then complete the necessary audit work so that a separate audit statement on the pension fund annual report can be issued with our audit certificate.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- Working papers have continued to improve and are generally of a high standard,
- The draft accounts were presented for audit in accordance with the agreed timetable and contained minimal errors. This demonstrates a continued improvement in quality from prior years,
- We have noted a number of matters in relation to investments. None of these are material, and are reported separately in section 2 of this report, and
- A variety of minor errors have been identified during out substantive testing of member data. These are explained further in section 2 of this report.

We have not identified any adjustments affecting the Fund's reported financial position. However, we have agreed with officers some minor adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council as the administering authority.

Findings

Our audit work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit have been discussed with the Head of Finance and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Standards Committee on 23rd March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix A.

We have yet to receive a copy of the Fund's Annual Report. We will confirm the wording of our proposed opinion on the financial statements in the Annual Report on completion of our review of the Annual Report.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management, • testing of journal entries, and • review of unusual significant transactions.	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.
3.	**Level 3 Investments – Valuation is incorrect.** A level 3 investment is one where at least one input that could have a significant effect on the value of the investment is not based on observable market data. The most common example of which are investments in private equity, which are valued using various estimation techniques.	• documented our understanding of processes and key controls over the transaction cycle, • reviewed the control reports from all fund managers with level 3 investments, • tested level 3 investments by obtaining and reviewing audited accounts at latest date for individual investments and agreeing these to the fund manager reports, • reviewed the qualifications of fund managers as experts to value level 3 investments, • reviewed the nature of estimated values and the level of assurance that management has over level 3 investments.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	We have undertaken the following work in relation to these risks: • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, and • we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.	Our audit work has not identified any significant issues in relation to the risks identified.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to these risks: • documented our understanding of processes and key controls over the transaction cycle, • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding, and • we have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.	Our audit work has not identified any significant issues in relation to the risks identified. However, testing of level 2 investments identified that a cash balance had been included in the analysis which should have been included as level 1. The value of the item was £2.6m and officers have agreed to amend for this. Review of the investments made during the year have demonstrated instances of non compliance with the Statement of Investment Principles. Officers are aware of this and are taking steps to bring the investments in line with the agreed principles. The departures will be included in the Annual Report. In addition, it was also noted that the Statement of Investment Principles has not been updated since April 2013. Again, officers are aware of the need to update the statement, and plans are in place for this to be completed in September.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct. (Occurrence)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls over the contributions made to the fund, • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence, and • Performed an analytical review on contributions to ensure that any unexpected trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.
Benefit payments	Benefits improperly calculated/claims liability understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls for member to be enrolled on the scheme, • Tested a sample of individual pensions in payment by reference to member files, and • Rationalised pension paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Member Data	Member data not correct. (Rights and obligations)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • tested key controls over changes to the pension fund data set, and • Tested a sample of changes to member data made during the year to source documentation.	Sample testing of the changes to member data found; • In 1 out of 25 new joiners to the pension fund the Altair system had not been updated to include all of the required details for the starter. Auto-enrolment is now in place for the fund and therefore we do not consider the time lag in processing the information onto Altair indicative of material misstatement for the fund. • In 3 out of 25 members leaving active membership, the Altair system had not been updated to progress their status beyond 'undecided leaver', due to a backlog. From discussions with the actuary we are satisfied that this would not have a material effect on their calculations. • In 6 out of 25 changes of circumstance, there was a lack of supporting documentation to support the amendment on the Altair system. From discussions with the actuary we are satisfied these do not indicate a material misstatement for the fund. While the issues above do not indicate a material misstatement for the fund in the current year, it does suggest that further work is needed on member data to ensure that it provides a robust platform for the calculation of career average payments in future years. In addition, member data is a key area for the Pension Regulator, whose remit now includes LGPS.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	There are two key policies in relation to revenue recognition: that for contribution income and that for investment income. Normal contributions are accounted for in the payroll month to which they relate. Investment income from equities is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits is accounted for on an accruals basis, as is income from other investments.	• The policies are considered appropriate under the accounting framework in place.	●
Estimates and judgements	Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code. The fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund choses to rely on the valuation provided by the fund manager.	• The policies are considered appropriate under the accounting framework in place. • Sufficient assurance has been provided by either the experts used for valuing the fund, or we have been able to agree valuations to third party evidence. Testing of level 1 investments against public data identified some minor differences in unit prices between that publically available and that provided by the fund managers on their reports. We have extrapolated the differences identified, which indicates a potential difference of £2m. We do not consider that this indicates a material error in the valuation of level 1 investments. • In addition the closing values reported for Harbourvest are based on the value as at December 2014 due to timing differences in receiving up to date valuations from the fund manager. This has resulted in a potential difference of £3.6m when compared to the March 2015 report. The difference is such that the current estimate included in the accounts is less than that which would have been included if the final year end position had not been estimated. This is not material and is as a result of applying an appropriate estimation technique and therefore no amendment is required to the accounts.	●

Assessment

- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	●

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Fund.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed.
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from all of the investment managers and the custodian of the fund. Positive confirmation was received from all parties, and as a result no further procedures were considered necessary.
7.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for level 3 investment valuation, investment income, investment values, contributions, benefits payable and member data as set out on page 9 above.

There are no matters that we wish to bring to your attention.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	X	• As part of our responsibilities as the auditor of the pension fund we are required to provide a level of assurance to the auditors of a number of admitted bodies, should they request it. The assurances include comments around the controls in place for member data. Last year we reported errors found in updating member data.	We have continued to find errors in updating of the member data and our findings are reported on page 12 above.

Assessment
✓ Action completed
X Not yet addressed

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The audit committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Impact on accounts	Reason for not adjusting
1	A review of the triangulation of fund manager, custodian and pension fund reporting identified that investments in MFS were being valued at mid price and not bid price as set out in the accounting policies.	Investment values are overstated by £968k	The difference is not considered material to the reader of the accounts.
	Overall impact	**£968k**	

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Account balance	Impact on the financial statements
1	Presentation and disclosure	Various	Our review of the accounts highlighted some minor improvements that were required to be made to the accounts. None of these were individually significant and they have been made to improve the final presentation and aid clarity for the reader. The proposed minor adjustments were agreed with the Fund and changes have been made to the draft accounts submitted for audit. Examples include including a reference to the introduction of the Career Average Revalued Earnings (CARE) under operations and membership, to update the note referring to the delay in the introduction of IFRS 13, and to include a note that explains the material transfer out of the fund. We also highlighted some notes where comparative information in respect of the prior year needed to be added. This is in addition to the need to tidy up formatting and some punctuation prior to publication.
2	Presentation and disclosure	Cash balance	The £1m cash balance has been shown as a liability on the net assets statement, however testing has demonstrated that this is an asset. The amount has been correctly reflected in the trial balance and this is a presentational error.
3	Disclosure	Assumptions about the future	The note presented for audit did not include any references to assumptions made about the future. We have agreed with officers some additions to the current note, which improve the clarity of the disclosure.
4	Presentation and disclosure	Administrative expenses	The draft accounts presented for audit were not in line with the changes to disclosure of administrative expenses required by the Code. We have agreed an amended note with officers.

Section 3: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Pension fund scale fee	23,892	23,892
Agreed fee variation	1,328	1,328
Total audit fees	25,220	25,220

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies within the Audit Commission regime and is consistent with that requested in prior years.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report on the Pension Fund

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

We have audited the pension fund financial statements of Warwickshire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Pension Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Warwickshire County Council in accordance with Part II of the Audit Commission Act 1998, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010 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 Responsibilities, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the pension fund 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 pension fund'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 pension fund financial statements. In addition, we read all the financial and non-financial information and the annual report to identify material inconsistencies with the audited pension fund 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 the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015,and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the annual report for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements

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

Date:

Grant Thornton

grant-thornton.co.uk

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

24 September 2015

Dear John

Warwickshire County Council Pension Fund
Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with your audit of the financial statements of Warwickshire County Council Pension Fund ('the Fund') for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.

2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.

7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

8 Except as disclosed in the financial statements:
- a there are no unrecorded liabilities, actual or contingent
- b none of the assets of the Fund have been assigned, pledged or mortgaged
- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

10 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

11 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

12 We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.

13 We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for the misstatement brought to our attention as it is immaterial to the results of the Fund and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

14 We believe that the Fund's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements. the carrying value or classification of assets and liabilities reflected in the financial statements.

Information Provided

15 We have provided you with:
   a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   b additional information that you have requested from us for the purpose of your audit; and
   c unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

16 We have communicated to you all deficiencies in internal control of which management is aware.

17 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

18 All transactions have been recorded in the accounting records and are reflected in the financial statements.

19 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
   a management;
   b employees who have significant roles in internal control; or
   c others where the fraud could have a material effect on the financial statements.

20 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

21 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

22 There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.

23 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

24 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.

25 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Approval

The approval of this letter of representation was minuted by the Audit Committee at its meeting on 9th September 2015.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of **Warwickshire County Council** as administering body of the **Pension Fund**

Audit and Standards Committee
Work Programme 2014/15

Item	Lead Officer	Date of next report
Internal Audit Annual Report 2014/15	Garry Rollason	June 2015
Annual Governance Statement 2014/15	Garry Rollason	June 2015
Internal Audit Progress Report January 2015 – March 2015	Garry Rollason	June 2015
Assurance Strategy 2015/16	Garry Rollason	June 2015
Changes in Accounting Policy – Accounting for Schools	Virginia Rennie	June 2015
Internal Audit Progress Report	Garry Rollason	September 2015
External Auditors Annual Governance Report 2014/15	Virginia Rennie	September 2015
Statement of Accounts 2014/15	Virginia Rennie	September 2015
Annual Governance Statement 2014/2015	Garry Rollason	September 2015
Warwickshire Pension Fund Statement of Accounts and Governance Report 2014/15	Mathew Dawson	September 2015
(Exempt) Internal Audit Progress Report Qtr 1 & 2	Garry Rollason	November 2015
(Exempt) Internal Audit Progress Report Qtr 3	Garry Rollason	February 2016

Last Updated 1st September 2015