Audit & Standards Committee

6 September 2017

Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **6 September 2017** at **10:00a.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 Code of Conduct. These should be declared at the commencement of the meeting.

(3) Minutes of the Audit and Standards Committee meeting held on 1st June 2017 and Matters Arising

EXEMPT ITEMS FOR DISCUSSION IN PRIVATE (PURPLE PAPERS)

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'.

3. Exempt minutes of the Audit and Standards Committee meeting held on 1st June 2017 and Matters Arising

ITEMS FOR DISCUSSION IN PUBLIC – The committee will return to public session.

4. External Auditors Audit Findings Report 2016/17

The Committee is asked to endorse the Annual Governance Report of the External Auditors for Warwickshire County Council and consider whether there are any matters it wishes to bring to the attention of Council.

5. Statement of Accounts 2016/17

The Committee is asked to consider the 2016/17 Statement of Accounts and recommend them to Council for approval.

6. Annual Governance Statement 2016/2017

The Committee is asked to endorse the Annual Governance Statement for 2016/17 prior to submission to Cabinet and Council.

7. Warwickshire Pension Fund Statement of Accounts & Annual Governance Report 2016/17

The Committee is asked to consider the 2016/17 Pension Fund Statement of Accounts and recommend them to Council for approval.

8. External Auditors Progress and Update Report

The Audit and Standards Committee is asked to consider and make any comments on the attached External Auditors Progress and Update Report

9. Counter Fraud, Bribery and Corruption Framework

The Committee is asked to consider the updated Counter Fraud, Bribery and Corruption Framework set out in this report and recommend it for Cabinet approval.

10. Internal Audit – External Quality Assessment

The Committee is asked to note the appointment of Gateway Assure Limited to undertake an external quality assessment of internal audit during 2017/18 in accordance with the Public Sector Internal Audit Standards.

11. Whistleblowing Policy

The Committee is asked to endorse the revised Whistleblowing Policy and Essentials document for onward submission to Cabinet.

12. Work Programme and Future Meeting Dates

To consider items for the committee's work programme and future meeting dates to be held in Shire Hall at 10:00 a.m. as follows:

- Thursday 2nd November 2017
- Wednesday 7th February 2018

13. Any Other Business

<u>Membership of the Audit and Standards Committee</u>

Councillors: Parminder Singh Birdi, Mark Cargill, Andy Crump, Jill Simplson-Vince, John Holland, Bill Gifford.

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

For queries regarding this agenda, please contact:
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DAVID CARTER
Joint Managing Director
Warwickshire County Council
August 2017

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Minutes of the meeting of the Audit and Standards Committee held on 1 June 2017

Present

Members:
Councillors Parminder Singh Birdi, Mark Cargill, Andy Crump, Bill Gifford, John Holland (Councillor Wallace Redford was present replacing Councillor Simpson-Vince)

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

Officers:
John Betts, Head of Finance
Jane Pollard, Legal Services Manager
Garry Rollason, Chief Risk and Assurance Manager
Paul Williams, Democratic Services Officer

External Representatives:
Helen Lillington, Grant Thornton – Auditors
Grant Patterson, Grant Thornton – Auditors

1. General

(1) Apologies

Apologies were received from Councillor Jill Simpson-Vince

The absence of Ben Patel-Sadler was noted. The Committee congratulated him and wife on the birth of their daughter and sent their best wishes to all.

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

There were no declarations of interest. It was confirmed that should any matters arise during the meeting that prompted members to consider they had an interest, they could declare it then.

Councillor Birdi informed the meeting that he is a member of Warwick Town Council. As the Dispensation Sub-Committee had yet to sit he considered it appropriate to declare this.

John Bridgeman (Chair of the committee) observed that following the County Council election on May 4 there remained two statement of interest forms to be signed and returned by members. The committee was informed that the deadline for the return of the forms was Sunday 4 June 2017. The committee requested that confirmation that all forms had been duly returned by the deadline be provided at its next meeting.

(3) Minutes of the meeting of the Audit and Standards Committee held on 6 March 2017

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

Under matters arising it was noted in section 5 (Complaints Process Update) the committee had been previously informed that there had been no recent complaints made against councillors that had resulted in a formal investigation. The Chair requested an update on this position and was informed that it had not changed.

2. Reports Containing Confidential or Exempt Information

Bob Meacham proposed, was seconded by Councillor Bill Gifford 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 REPORTS TO BE CONSIDERED IN PRIVATE

3. Internal Audit Progress Report

Following an introduction from officers the committee considered the published report making comments as set out in the exempt minutes.

REPORTS TO BE CONSIDERED IN PUBLIC

4. Internal Audit Annual Report 2016-17

Following a brief introduction by Garry Rollason (Chief Risk and Assurance Manager) the committee explored a number of elements of the report. Referencing Appendix A, Bob Meacham asked what actions would be require to raise “pre-employment checks” from the status of “limited assurance”. He added that his concerns lay not so much with lower paid workers but with those in senior or managerial positions. In response the committee was informed that some staff eg school kitchen staff are recruited locally whilst others are recruited via the central HR service. The limited assurance status applies to locally recruited staff. For centrally appointed staff the committee was reminded that pre-employment checks for were audited in 2014 and no significant issues arose.

Resolved:

That the Committee notes the results of internal audit work completed during 2016-17.

5. Annual Governance Statement 2016-17

Jane Pollard (Legal Services Manager) explained that the report before the Committee provided an opportunity for the County Council to reflect on how well its internal processes have operated over the preceding 12 months. During that time there has been no significant governance failures. A number of major challenges have been identified for the authority and these are set out in the report. These include changes to government policy, legislative changes, austerity measures and demographic changes as well as issues around social care and health, safeguarding of vulnerable people, data security, cybercrime, the need for economic growth and safety in the community.

In response to a question from Councillor Mark Cargill, the committee was informed that whilst most member development is not compulsory, councillors are actively encouraged to engage in the development opportunities presented to them. Attendance is monitored and as was noted by the Chair there has in the past been a good record of County Council members attending training sessions. It was suggested and agreed that opportunities for the delivery of joint training with district and borough councils be considered.

Grant Patterson (Grant Thornton) informed the meeting that the CIPFA "Delivering Good Governance Guidance" now has 7 principles that should be adhered to and which were reflected in the draft AGS.

Regarding the benefits of interagency co-operation in terms of economies of scale it was suggested that the Governance Statement should make more explicit reference to this.

Resolved:

That the Committee endorse:

1) the results of the review of internal control; and

2) the draft annual governance statement for the County Council.

6. External Auditors Report

Grant Patterson explained that the report before the committee presented progress against the 2015/16 audit. Members were updated on the position regarding the objection that had delayed the certification as closed of the 2015/16 financial statements. The County Council has met with the objector. It is the view of the auditors that the objection raises no significant issues and that it should be possible to conclude the matter alongside the 2016/17 audit.

Auditors are due on site soon to commence the audit for 2016/17. Interim work has been completed with nothing to report. The target date for completion is the end of July. From next year that target will be mandatory.

The committee expressed its concern over the abortive work undertaken by CIPFA and the LASAAC Board around the introduction of a Highways Network Asset Code. John Betts (Head of Finance) stated that he too had raised concerns over this but in response to members' questions he noted that there is no course of redress for the resources expended and wasted on this project. The challenge now is to unwind what has been done to date.

Regarding the social care precept it was noted that a 2% levy on council taxes in areas with below average taxbases will generate less income. This is unfortunate as it is often these areas that will benefit from the levy.

The pooling of pension funds was discussed. John Betts confirmed that all members of the Council were consulted on the proposals. Whether pooling will lead to increased returns on investments remains to be seen. The expectation is that management fees will be lower and this should offset any reduction in returns. The committee was reminded that the pension fund will, under the pooling arrangements, retain control over its strategy. However, pension fund managers will be picked by others. Councillor Bill Gifford reminded the meeting of the government's drive for pension funds to invest in infrastructure. Considerable concern has been raised over this.

Resolved:

That the Committee notes the External Auditors Update Report, as outlined in Appendix A of the report.

7. Internal Audit Strategy 2017-18

Garry Rollason introduced the strategy explaining that the report marks the start of the audit cycle for the coming year. The committee was informed that the proposed plan had been subject to extensive consultation and had been endorsed by the Corporate Board. This year care has been taken to more explicitly link the plan to corporate risks.

The Audit Charter is a requirement of the Public Sector Internal Audit Standards and was last considered 2 years ago. The Charter had been updated to reflect changes in professional standards and had also been agreed by Corporate Board.

Resolved:

That the Committee approves:

1) the proposed strategy; and

2) the updated Charter.

8. Whistleblowing Policy Review

Jane Pollard explained that the principal reason for updating the Council's Whistleblowing Policy is to ensure it reflects the "Duty of Candour" which applies to the Council's role as a provider of care services. It was explained that any member of staff with any concerns can choose to report these internally or externally to any one of a number of organisations.

Over the last two years there have been 18 whistleblowing reports. These have all been to the fraud hotline. None have related to social care.

In response to a question from the Chair members were assured that if there was to be an outbreak of whistleblowing reports they would, following initial investigations, be informed.

Councillor Bill Gifford expressed his concern that the policy as drafted did not in his view sufficiently emphasise the potential role of organisations such as Public Concern at Work. The need to ensure that staff can easily report any concerns they might have was reiterated. In some instances staff may have a sense that something is amiss but wish to discuss this with an independent person.

In response the committee was reminded that the County Council is a large organisation with policies in place to support all aspects of working for it. The draft Whistleblowing Policy is intended to assure staff that it is safe to report concerns and to signpost them to where they can make these reports. In addition some independent organisations might struggle to understand the complexities of the council and hence the nature of a whistleblowing report.

The draft strategy has been consulted on with officers and the unions.

Members were concerned that the section of the policy regarding untrue allegations was placed ahead of that on protection and support. It was explained that that section is intended to offer reassurance that if an allegation turns out to be unfounded, the staff member who made it will suffer no redress providing they were not made for malicious or vexatious reasons.

Regarding the appended flow chart, Bob Meacham suggested that terms such as “serious wrongdoing” were open to interpretation and may put people off making any reports. This was noted.

The committee concluded that more work is required on the strategy. It was suggested that Councillor Gifford meet with the report author to attempt to agree an approach that would meet everyone’s requirements.

Resolved

That the Committee does <u>not</u> endorse the revised Whistleblowing Policy and asks that more consideration be given to it.

9. External Audit Plan 2016-17

Helen Lillington (Grant Thornton) summarised the published report and appendix. It was explained that 2016/17 had been a year of few developments or changes.

The Chair sought assurance regarding accuracy of information regarding fund members. In response it was recognised that whilst it is important to know where members are it would require a great many of them to be missing off records for the materiality threshold to be met.

The question of employers in the fund being able to honour their commitments was raised. The committee was informed that it is recognised that some smaller employers with an aging workforce will soon see a draw on their pensions commitments that they may struggle to meet. The fund monitors employers and in instances where the risk appears high there will be early engagement to address funding issues(including the option of closure to new members). A challenge for pension funds is calculating or forecasting the lifespan of those drawing on them. The committee was informed of the processes undertaken by actuaries to predict mortality. Factors such as the nature of employment, levels of deprivation and lifestyles are all taken into account.

The work on the interim audit work as reported was welcomed.

Resolved

That the committee notes the Warwickshire Pension Fund 2016-17 Audit Plan from the External Auditors, as outlined in Appendix A of the report.

10. Work Programme and Future Meeting Dates

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

- Wednesday 6th September 2017
- Thursday 2nd November 2017
- Wednesday 7th February 2018

In response to a request at the committee's previous meeting members considered a list of possible for annual reports. This list was derived from a review of the business undertaken by audit committees at other similar local authorities. The committee concluded that it did not consider there to be a need to adopt any of the suggested topics put before it.

11. Any Other Business

Grant Patterson offered to provide a training session regarding the statement of accounts for all members. This was welcomed and John Betts agreed to follow this up.

The Committee rose at 12.15pm.

…………………………..
Chair

Item 4

Audit & Standards Committee

6 September 2017

External Auditors Audit Findings Report 2016/17

Recommendation

The Committee:

1) Endorses the Annual Governance Report of the External Auditors for Warwickshire County Council, attached at Appendix A, and consider whether there are any matters it wishes 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. 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 2016/17 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 audit findings 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 21 September 2017.

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

2. Background Papers

2.1. None.

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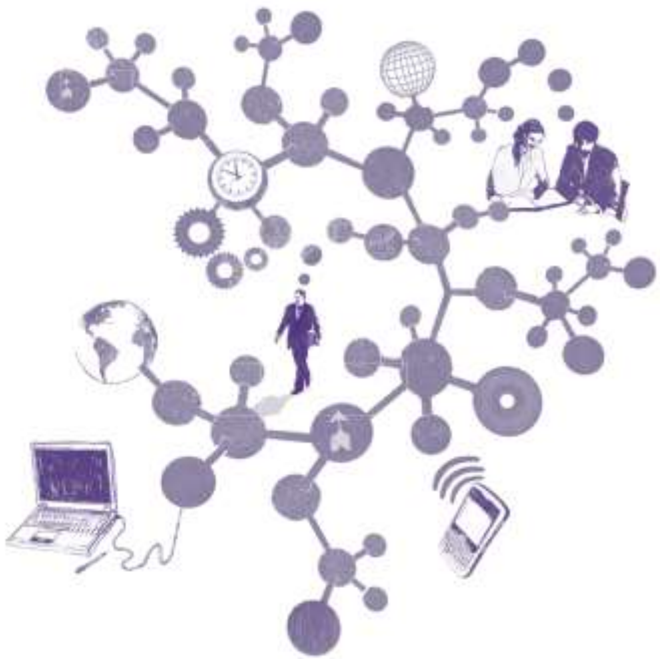
The report was circulated to the following members prior to publication:

None

The Audit Findings for Warwickshire County Council

Year ended 31 March 2017

18 August 2017



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18 August 2017

Dear Sirs

Audit Findings for Warwickshire County Council for the year ending 31 March 2017

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Warwickshire County Council, the Audit and Standards Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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 and giving a value for money conclusion. 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

Grant Patterson
Engagement lead

Chartered Accountants
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Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Warwickshire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have made one change to our audit approach which we communicated to you in our Audit Plan dated 20 February 2017:

- In our Audit Plan we reported that we were unable to rebut the presumed fraud risk arising from revenue recognition relating to other income and associated receivables. Following further assessment at year end we concluded that we were able to rebut this fraud risk. Further details are set out on page 10.

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

- obtaining and reviewing the 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 commencement of our work, in accordance with the agreed timetable.

Key audit and financial reporting issues

Financial statements opinion

We have identified no adjustments affecting the Council's reported financial position. The draft financial statements for the year ended 31 March 2017 recorded net expenditure of £123.6m which is unchanged in the audited financial statements.

We recommended a small number of adjustments to improve the presentation of the financial statements.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Preparations for early close 2017/18

In preparation for the earlier sign off deadline of 31 July which will apply for the sign off of your 2017/18 accounts, we sought to complete most of our audit work during June 2017 and issue our draft Audit Findings Report by the end of July. We are pleased to report that, by working closely with the Council's finance staff throughout the year, we were able to achieve this although we have identified some areas where we consider that the efficiency and effectiveness of our audit process can be further improved. Overall, we consider that the Council is well prepared to achieve the early close timetable set for 2017/18.

Changes to the presentation of local authority financial statements

The Council has presented its 2016/17 Comprehensive Income and Expenditure Statement (CIES) in line with updated CIPFA requirements (the 'Telling the Story' project). This has led to changes in the presentation of income and expenditure in the financial statements and associated disclosure notes, with a prior period adjustment (PPA) to restate the 2015/16 comparative figures.

The Code requires that, as well as restating the 2015/16 CIES comparative figures in line with the new reporting format, authorities should disclose "… the amount of the adjustment for each financial statement line item affected." The Council has not included this disclosure in its 2016/17 financial statements on the basis that, in its view, omission of this disclosure would not have a material impact on the understanding of users of the accounts as the Net Cost of Services and all lines below it in the CIES for 2015/16 remains unchanged. Instead, the Council has included a general narrative statement to explain the impact of the change.

We agree that this omission would not have a material impact on the understanding of users of the accounts and so do not consider that there is any impact on our opinion on the financial statements.

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

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement (AGS) and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

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.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

An objection was received in respect of the 2015/16 financial statements. The Council has met with the objector and is seeking to resolve the matter directly with them. We are awaiting the outcome of these discussions before determining whether there is further action we are required to take.

Further details of our work on other statutory powers and duties is set out in section four of this report.

The way forward

Matters arising from the financial statements audit and our 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.

Acknowledgement

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 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £13,907k (being 1.8% of gross revenue expenditure) based on 2015/16 outturn. We have considered whether this level remained appropriate during the course of the audit and updated this based on the 2016/17 draft financial statements which led to us to revise our overall materiality to £14,351k (being 1.8% of gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £718k (updated from £696k as reported in our audit plan to reflect gross revenue expenditure as per the draft 2016/17 financial statements.)

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Related Party Transactions	Due to public interest in these disclosures and the statutory requirement for them to be made, we consider £20,000 to be an appropriate materiality level for these disclosures. We recognise that in compiling the disclosure the Council will apply its own assessment of materiality and (as required by IAS24) also have regard to materiality from the perspective of the other party.	£20,000
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue 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; and • 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.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	We have completed: • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	• Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.	Our audit work has not identified any significant issues in relation to the risk identified. We were satisfied that, based on review of the assessment undertaken by the Council supported by our own review of independently provided indices and other supporting information on valuation movements, that the Council's assessment that the carrying value of property, plant and equipment is not materially different from the current value at the balance sheet date is reasonable and based on appropriate evidence and assumptions. We noted that the Council's internal valuations team had not considered movements in building indices/tender prices when considering potential movements in the fair value of assets held at Depreciated Replacement Cost, such as school buildings. We consider that such indices would be the most appropriate to apply when considering the valuation of assets held at Depreciated Replacement Cost. However, our own assessment using national indices for building tender prices as supplied by independent valuers suggests that any potential movement on the value of assets held at Depreciated Replacement Cost would not be material (3.3% index for 2016/17, which on a asset value of £338m would give rise to a potential movement in the year of £10.263m). We have recommended that the Council's internal valuation team ensure that they include review of tender price indices as applied to the valuation of assets held at Depreciated Replacement Cost in all future reviews of whether the carrying value of assets is materially different to their current value.

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet ,represents a significant estimate in the financial statements.	• Identifying the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. • Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. • Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. • Review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against significant risks (continued)

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Changes to the presentation of local authority financial statements CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice. The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.	We have undertaken the following work in relation to this risk: • documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.	We consider that the Council has met all requirements of the 2016/17 CIPFA Code of Practice in the preparation of its 2016/17 financial statements with the exception of the point noted below. The Code requires that, as well as restating the 2015/16 CIES comparative figures in line with the new reporting format, authorities should disclose "the amount of the adjustment for each financial statement line item affected" – i.e. provide a reconciliation between the 20151/6 CIES figures as previously reported in the 20151/6 financial statements and the restated comparatives included in the 2016/17 financial statements. Warwickshire County Council has not included this reconciliation in its 2016/17 financial statements on the basis that omission of this disclosure would not have a material impact on the understanding of users of the accounts as the Net Cost of Services and all lines below it in the CIES for 2015/16 remains unchanged. Instead the Council has included a general narrative statement to explain the impact of the change. We consider that, whilst the Council has not fully complied with the requirements of the 2016/17 CIPFA Code of Practice by providing disclosure of the impact of the restatement of the 2015/16 CIES figures on each financial statement line affected, we agree that this omission would not have a material impact on the understanding of users of the accounts and so do not consider that there is any impact on our opinion on the financial statements.

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Payroll expenditure represents a significant percentage of the Council's gross expenditure. We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention: • Employee remuneration accruals understated (Remuneration expenses not correct)	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 • carried out testing on a sample of payroll expenditure for the year • reviewed the payroll reconciliation to ensure that information from the payroll system can be agreed to the ledger and financial statements • reviewed the monthly trend analysis of total payroll.	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs. We identified the completeness of non- pay expenditure in the financial statements as a risk requiring particular audit attention: • Creditors understated or not recorded in the correct period (Operating expenses 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 • reviewed the accruals process • carried out substantive testing on a sample of operating expenses for the year and creditor balances at year end • carried out year end cut-off testing.	Our audit work has not identified any significant issues in relation to the risk identified.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

Audit findings against other risks continued

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that there are no material uncertainties relating to the Council's ability to continue as a going concern which require disclosure in the financial statements.

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 2017/18, and progress to date on delivery of the One Organisational Plan 2014-18 to inform our Going Concern assessment. We have reviewed the formal going concern assessment which the Council have prepared as part of the 2016/17 year end process, which has included consideration of cash flow forecasts and requirements for a period of 12 months from the date of final approval of the financial statements. **Management response** • Management have confirmed that they consider that the Council remains a going concern.

Accounting policies, estimates and 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)
Judgements and estimates	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 • Fair value valuation of investment property.	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 and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Going concern	The Head of Finance has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● (Green)
Other accounting policies	Other accounting policies.	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	● (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, as auditors, are required by auditing standards and the Code 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 been made aware of one incident identified by the Council in 2016/17 but are satisfied that the impact of this incident would not be material to the financial statements. No other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council, which is included in the Audit and Standards Committee papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send requests to confirm year end bank and investment balances. This permission was granted and the requests were sent, and all received to confirm year end balances.
6.	**Disclosures**	• Our review found no material omissions in the financial statements.
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350m we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We have not yet completed our work but will have done so by the date of the Audit and Standards Committee and so will provide a verbal update to the Committee.

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.

Misclassifications and disclosure changes

We agreed a number of classification, presentational and disclosure changes to the draft financial statements during the audit process.

	Adjustment type	Value £m	Account balance	Impact on the financial statements
1	Misclassification	n/a	Note 8 – Property, Plant and Equipment – table of revaluations.	Reanalysis of total land, buildings and surplus asset figures (£787.8m total value) by year of revaluation – reclassification only, no impact on the total figure included.
2	Disclosure	Various	Our review of the accounts highlighted some presentational changes that were required to be made to the draft accounts. None of these were individually significant as per our previous discussions.	Disclosure

Section 3: Value for Money

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

> *In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in March 2017 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. The significant risks identified related to:

- **Sustainable resource deployment –** progress in delivery of One Organisational Plan and extent of plans in place to deliver further savings required by 2020.
- **Working with other partners** – Impact of the effectiveness of working arrangements with other partners on achievement of key targets and ambitions as set out in the One Organisational Plan

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- **Sustainable resource deployment** - Progress made the Council in developing and delivering savings plans
- **Working with partners and other third parties** – Evidence of effectiveness of partnership arrangements in enabling the Council to deliver its strategic priorities.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 23 to 24.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Recommendations for improvement

We discussed findings arising from our work with management. We have not identified any recommendations for improvement.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Sustainable resource deployment The Council has a "One Organisation Plan 2014-2018" (now updated to OOP 2020) in place which identified the need to make significant savings. Our assessment in 2015/16 was that the Council had delivered required levels of savings identified since the OOP was first developed in 2014 but the update to 2020 in 2017 has identified the need for a further £67m of savings by 2020.	We reviewed • the extent to which the medium term financial plan (One Organisation Plan) remains robust and was based on reasonable assumptions • arrangements for agreement and approval of 2017/18 budgets • progress made in identification and agreement of plans to deliver savings of £67m by 2020 • outturn against the plan for 2016/17 and progress made in 2017/18 to date	The One Organisational Plan (OOP) as updated in February 2017 now covers the period to 2020 and set out. • £92m savings delivered to date • £67m further savings required by 2020. The full 2017/18 revenue budget was approved by Council in February 2017 and sets out: • Overall direction of travel – i.e. setting this in the context of the OOP 2020 • Key focus is on delivery of savings - £67m by 2020 – and the impact that this has on 2017/18 • 1.99% increase in council tax and 2% ASC levy on top, so 3.99% total increase • Specific provision for key changes such as the impact of apprenticeship levy and the living wage • Includes commentary on key risks to delivery of the budget. The 2017/18 budget document includes full listing of the areas of agreed delivery savings which support the £67m required figure over 3 years to 2020. These agreed savings were developed based on extensive consultation with and scrutiny by heads of service and staff, staff within finance service, corporate board and members. The 2016/17 outturn report presented to cabinet in July 2017 shows: • Underspend vs revenue budgets in 2016/17 of £9.864m, largely due to one off income and early delivery of some savings • Savings delivered in 2016/17 of £14.536m vs target of £16.262m. The shortfall of £1.724m to be carried forward and delivered in 2017/18 • £17.791m slippage on capital programme, mainly due to slippage on transport schemes. • Overall total savings delivered over period 2014 – 2017 totalled £45.645m compared to target of £46.055. **Review of evidence of progress on delivery of the 2017/18 savings plans and budgets to July 2017 does not highlight any significant issues which would suggest overall delivery is at risk. On this basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.**

Key findings (continued)

<table>
<tr><th>Significant risk</th><th>Work to address</th><th>Findings and conclusions</th></tr>
<tr><td>Working with other partners
A number of the Council's key ambitions within the OOP rely on the effectiveness of working arrangements with other partners such as health bodies.</td><td>We reviewed evidence from the Council's progress in hitting targets and ambitions as set out in the One Organisational Plan to assess what evidence this provides at to the effectiveness of partnership working arrangements.</td><td>The One Organisational Plan Year End Progress report for 2016/17 was presented to Cabinet in July 2017.

The overall rating on performance against targets for 2016/17 as set out in this report was “Amber”. This was in line with the overall rating for 2015/16 which was also “Amber”.

The commentary states that 2016/17 was considered to be the most challenging year of the OOP 2014-2017 and the overall amber rating is a reflection of this.

59% of Key Business Measures supporting OOP outcomes had been achieved for 2016/17, which is in line with performance in previous years of the OOP (55% of targets were achieved in 2015/16, 59% in 2014/15). The range of targets not met is broad and does not point to a particular failing in any one particular area, and the overall level of performance is consistent with that reported in the 2 previous years around delivery of OOP objectives.

Key themes set out in the OOP were around
• Delivery of savings
• Transformation of ASC
• Working with health partners to maximise and align resources
• Modernisation and collaboration for fire and rescue services
• Economic growth supported by Capital Growth Fund
• Investing in assets to support service delivery
• Highways drainage and flooding improvements
• Investing in safer transport for public, schools and social care
• Reduce workforce by 11%

The OOP outturn report confirms that progress continues to be made against all these themes but challenges remain. The report sets out clear actions and responses in all areas where targets were not met in 2016/17.

Review of the detailed report does not highlight any areas where there have been significant failings or weaknesses in arrangements in 2016/17. On this basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for working with third parties effectively to deliver strategic priorities.</td></tr>
</table>

Section 4: Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Public interest report**	• We have not identified any matters that would require a public interest report to be issued
2.	**Written recommendations**	• We have not made any written recommendations that the Council is required to respond to publicly
3.	**Application to the court for a declaration that an item of account is contrary to law**	• We have not used this duty during 2016/17
4.	**Issue of an advisory notice**	• We have not used this duty during 2016/17
5.	**Application for judicial review**	• We have not used this duty during 2016/17

An objection was received in respect of the 2015/16 financial statements. The Council has met with the objector and is seeking to resolve the matter directly with them. We are awaiting the outcome of these discussions before determining whether there is further action we are required to take. We are seeking to resolve this before 30 September 2017. If we are unable to do so then we will not be able to certify the audit closed.

No objections were received relating to the 2016/17 financial statements during the public inspection period, which has now ended.

Section 5: Fees, non-audit services and independence

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

Fees

	Proposed fee £	Final fee £
Council audit	£94,539	£94,539
Total audit fees (excluding VAT)	**£94,539**	**£94,539**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Additional fees are likely to be necessary relating to the 2015/16 objection. The level of fees are yet to be agreed with PSAA.

Independence and ethics

- Ethical Standards and ISA (UK&I) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:
- 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 Auditing Practices Board's Ethical Standards and 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table below summarises all other services which were identified.

Fees for other services

Service	Fees £
Audit related services: • Teacher's Pension return certification	£4,200
Non-audit services • CFO Insights	£0*

* A £30,000 for a three year subscription to CFO insights was paid by the Council in 2015/16 and reported in our 2015/16 Audit Findings Report.

Independence and other services

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place

	Service provided to	Fees	Threat?	Safeguard
Audit related services	Certification of Teachers Pension return for Warwickshire County Council (2016-17)	£4,200	• Self interest	This is a recurring fee and therefore a self interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£94,539) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.
Non-audit services	CFO Insights	£0*	• Self interest	A £30,000 for a three year subscription to CFO insights was paid by the Council in 2015/16 and reported in our 2015/16 Audit Findings Report. This is a recurring fee and therefore a self interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£94,539) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to non-audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self interest threat to an acceptable level.
	TOTAL	£4,200		

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.

Section 6: Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

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 at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Action plan

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1.	We recommend that the Council's internal valuation team ensure that they include review of tender price indices as applied to the valuation of assets held at Depreciated Replacement Cost in all future reviews of whether the carrying value of assets is materially different to fair value.	Medium	We will review the approach to the valuation of the Council's assets, including consideration of the use of indices, as part of preparing the 2017/18 accounts.	31 March 2018 Virginia Rennie (Finance), Steve Smith (Property Services)

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

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 (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement and the related notes 1 to 6. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's 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 responsibilities for the statement of accounts, 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 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report by the Head of Finance and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that 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 2017.

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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

Position on certificate to be finalised as at date of opinion.

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

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

[Date]

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Appendix B

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

21 September 2017

Dear Sirs

Warwickshire County Council
Financial Statements for the year ended 31 March 2017

This representation letter is provided in connection with the audit of the financial statements of Warwickshire County Council for the year ended 31 March 2017 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 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

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 CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code"); which give a true and fair view in accordance therewith.

2. We have complied with the requirements of all statutory directions affecting the Council 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 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.

7. Except as disclosed 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) here are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure

8. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.

9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

10. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.

11. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.

12. We have considered the misclassification and disclosure changes included in your Audit Findings Report. The financial statements have been amended for these.

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

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

15. 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.

16. Restatements made to comparative information as at 31 March 2016 are appropriate.

17. We are satisfied that the carrying value of Property, Plant and Equipment assets included in the balance sheet is not materially different from their current value as at 31 March 2017.

Information Provided

18. 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 unrestricted
    c) Access to persons within the Council from whom you determined it necessary to obtain audit evidence.

19. We have communicated to you all deficiencies in internal control of which management are aware.

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

21. 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.

22. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council 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.

23. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

24. 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.

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

26. 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

27. 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.

Narrative Report

28. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 6 September 2017.

Yours faithfully

Name: Clive Rickhards
Position: Chair of the Council
Date: 21 September 2017

Name: John Betts
Position: Head of Finance
Date: 21 September 2017

Signed on behalf of the Council

Item 5

Audit & Standards Committee

6 September 2017

Statement of Accounts 2016/17

Recommendation

The Committee is asked to consider the 2016/17 Statement of Accounts and recommend them to Council for approval.

1. Purpose of the Report

1.1. This report presents the Statement of Accounts for 2016/17.

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

- The statement of responsibilities for the accounts
- A narrative statement 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 2017
    - 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 2016/17 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 2016/17 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 2016/17 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.

1.6. The Committee is asked to consider the 2016/17 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. Narrative Statement

2.1. The purpose of the narrative statement 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 narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 13 July 2017.

3. Core Financial Statements

3.1. Movement in reserves statement

Reserves represent the Council's net worth and shows 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 2015/16 and 2016/17.

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:

- <u>Cost of services</u>: Presented in the management structure of the Council. It includes service specific income and expenditure.
- <u>Other operating income and expenditure</u>: Includes the surplus or deficit from the sale of property, plant and equipment.
- <u>Financing and investment income and expenditure</u>: Includes interest payable and receivable and trading account income and expenditure.
- <u>Taxation and general grant income and expenditure</u>: 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 2017. 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. 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. There are no changes of accounting policy reflected in the Statement of Accounts this year.

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. 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. Audit Status

6.1. The attached 2016/17 Statement of Accounts has been audited and the Audit Findings 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 1 September 2017. A letter of representation is provided in connection with the audit of the 2016/17 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 2017 in line with statutory regulations.

7. Background Papers

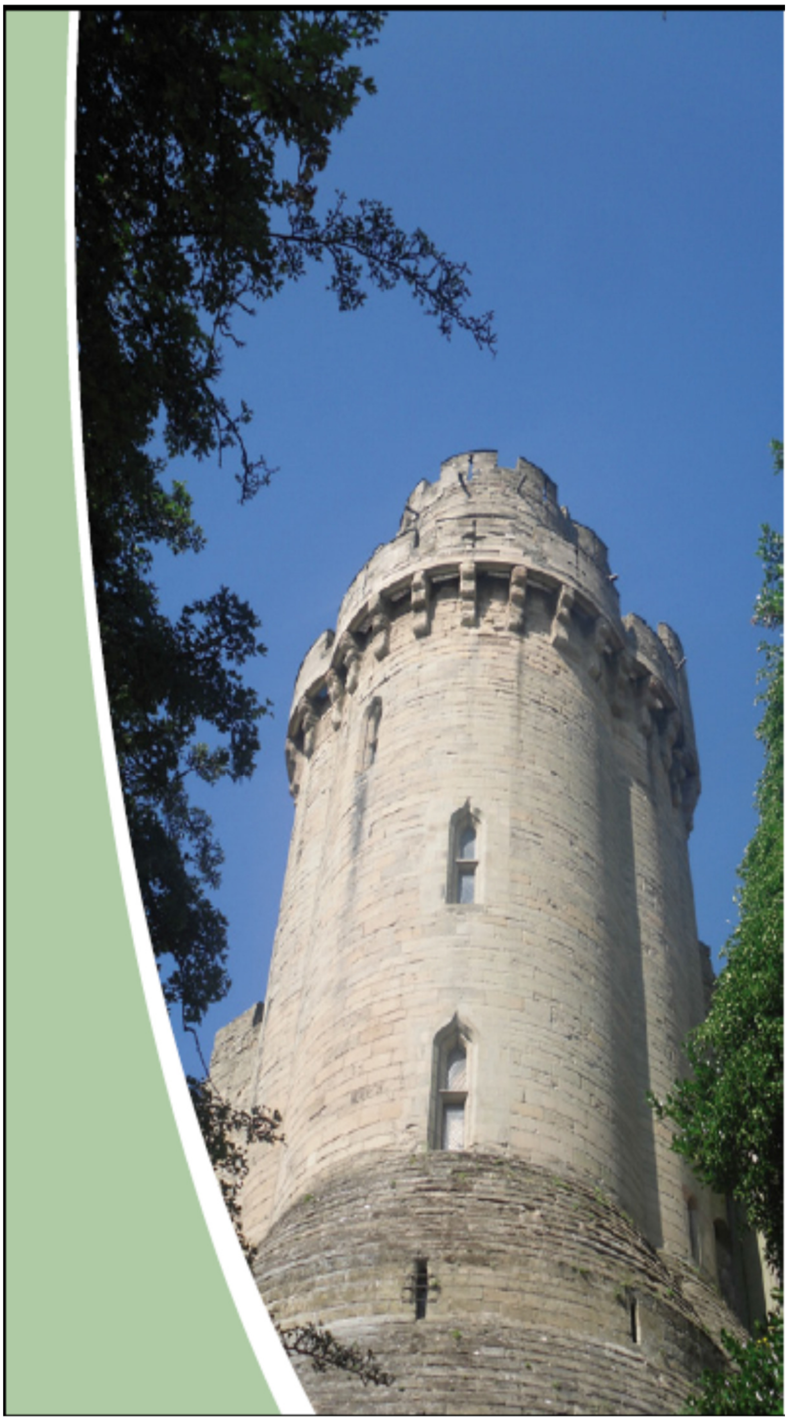
7.1. None.

	Name	**Contact Information**
Report Author	Virginia Rennie	vrennie@warwickshire.gov.uk Tel: 01926 41 (2239)
Head of Service	John Betts	johnbetts@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk
Portfolio Holder	Peter Butlin	peterbutlin@warwickshire.gov.uk

The following Elected Members have been consulted on this report prior to its publication:

None

Warwickshire County Council



Statement of Accounts and Annual Governance Statement

2016/17

Warwickshire County Council

Working for Warwickshire

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

- 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 2015.

Responsibilities of the Council

We do the following:

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

Responsibilities of the Head of Finance

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

In preparing our statement of accounts, I have:

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

I have also:

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Warwickshire County Council at 31 March 2017 and the income and expenditure for the year ended 31 March 2017. The unaudited draft accounts were authorised for issue on 1 June 2017. These were audited and were considered and approved at a meeting of the Council on 21 September 2017.

John Betts
Head of Finance **Date: 1 June 2017**

Councillor Clive Rickhards
Chair of the Council **Date: 21 September 2017**

Narrative Report by the Head of Finance

This narrative report provides a concise and easily understandable summary of the most important matters reported in the accounts and comments on those issues that have had a major effect on our finances.

Introduction

I am pleased to introduce our Financial Accounts for 2016/17. They represent the financial results of the delivery of the third year of our 2014-2018 One Organisational Plan. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year. This narrative report is set out in three parts. The first provides some key information that summarises our financial performance in 2016/17 and our effectiveness in the use of resources. The second part looks forward, outlining the impact of the current economic climate and the risks we face on our resources and the services we provide. The third part provides information on how the Financial Accounts for 2016/17 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.

In considering this report, you should note that the comparison of spend against service budgets which we use internally to assess our financial performance is not directly comparable to the cost of services disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers, which is central to our in-year monitoring of our financial performance. 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. The draft Statement of Accounts for 2016/17 was available for inspection from 12 June 2017 to 21 July 2017. The formal audit of our accounts began on 5 June 2017 and we received an unqualified opinion on the Statement of Accounts on 22 September 2017. This means that in the External Auditors' opinion our accounts give a true and fair view of the financial position of the County Council.

Capital and revenue spending

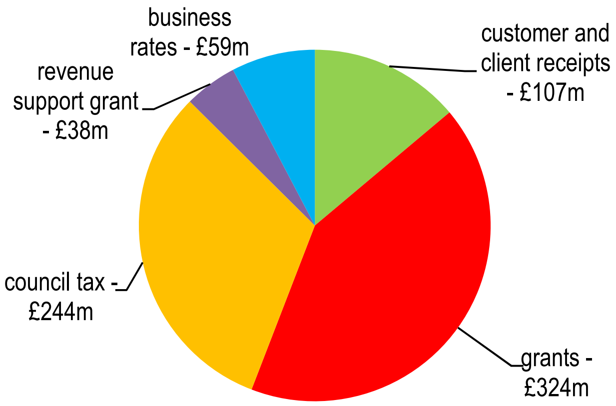
We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Our capital spending relates to items we have bought and which will be used for more than one year. An amount is charged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

Revenue spending – what we have received and spent

This section provides a high level summary of the sources of income we have used in 2016/17 and sets out the ways in which this has been spent.

How we received our money

Our total revenue income in 2016/17 was £772 million. £234 million was used by schools, £539 million was used to fund our services and the balance of £1 million was funded from resources set aside in previous years.

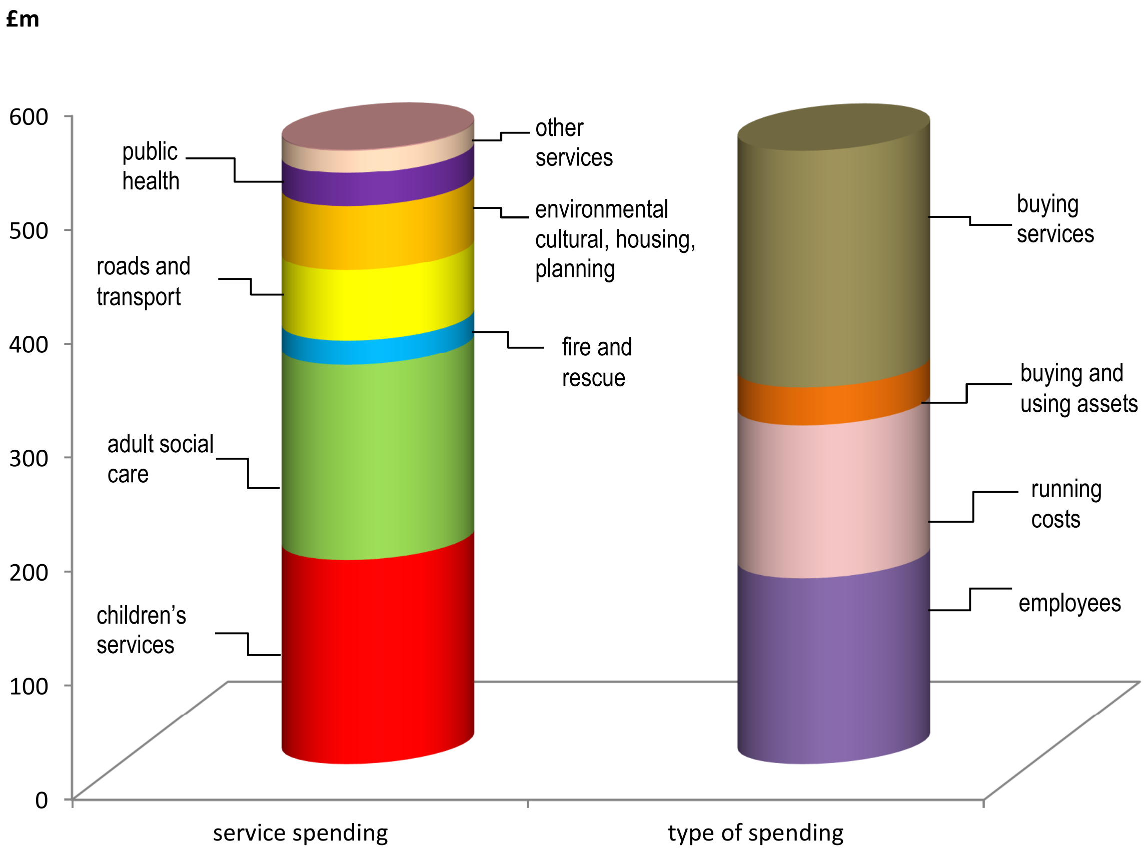


The main sources of revenue income received in 2016/17 to support the revenue budget of our services are shown in the chart on the left.

This income is from council tax (31%) and our share of business rates (8%), with 47% from government grant and 14% from customer and client receipts.

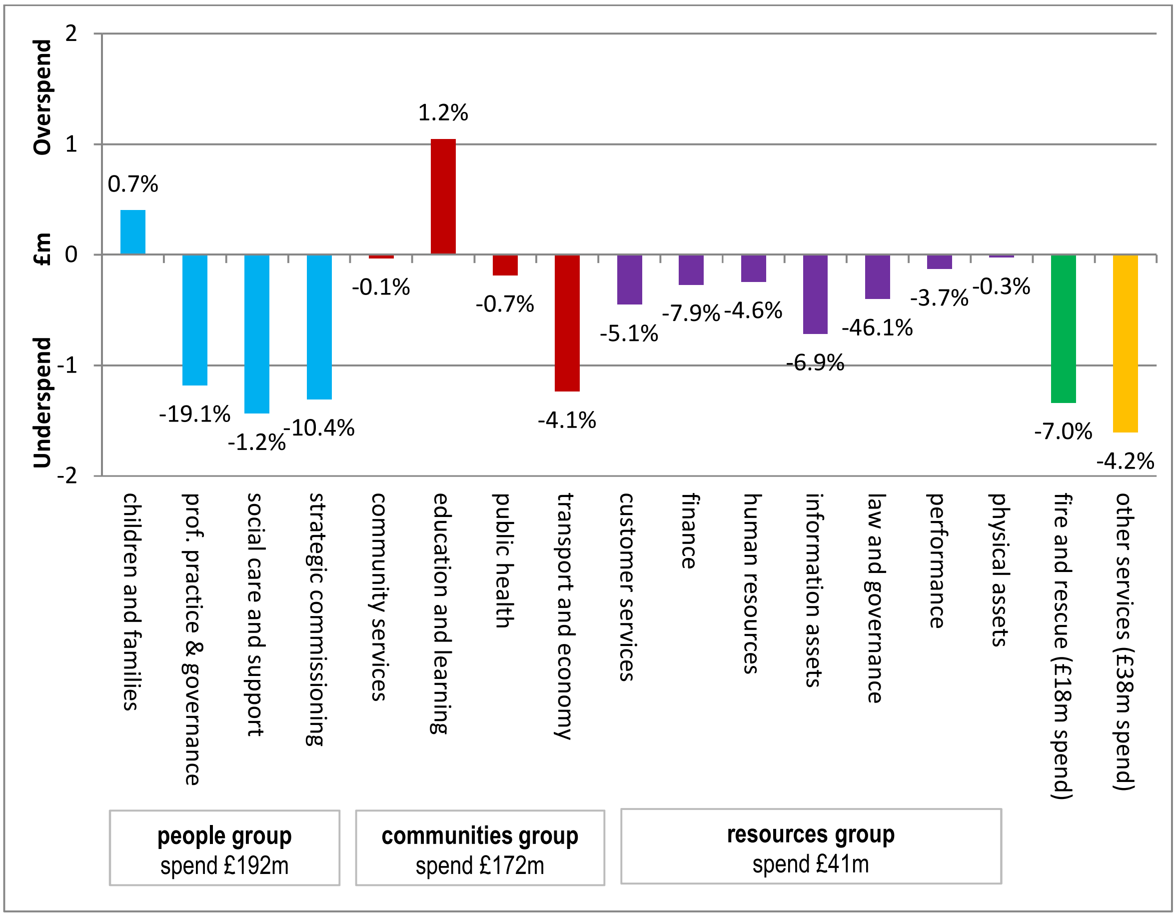
What we have spent

We have spent £539 million of our revenue income to finance the various services we provide (excluding schools), as illustrated in the chart below. The £539 million, schools spending (£234 million) and net technical adjustments that are not part of our management accounts of £24 million make up the gross cost of services.



Revenue spending compared to our plans

The chart below sets out our financial performance, by Business Unit and Group, in 2016/17 compared to the approved budget.



The key features of our financial performance in 2016/17 are:

- We planned to use £9 million of our reserves to support the delivery of services in 2016/17
- Services spent £9 million less than their cash-limited budget; when combined with the £3 million overspend in schools and £2 million additional government grant received during the year, the outcome was that our usable revenue reserves decreased overall by £1 million.

Savings and efficiencies

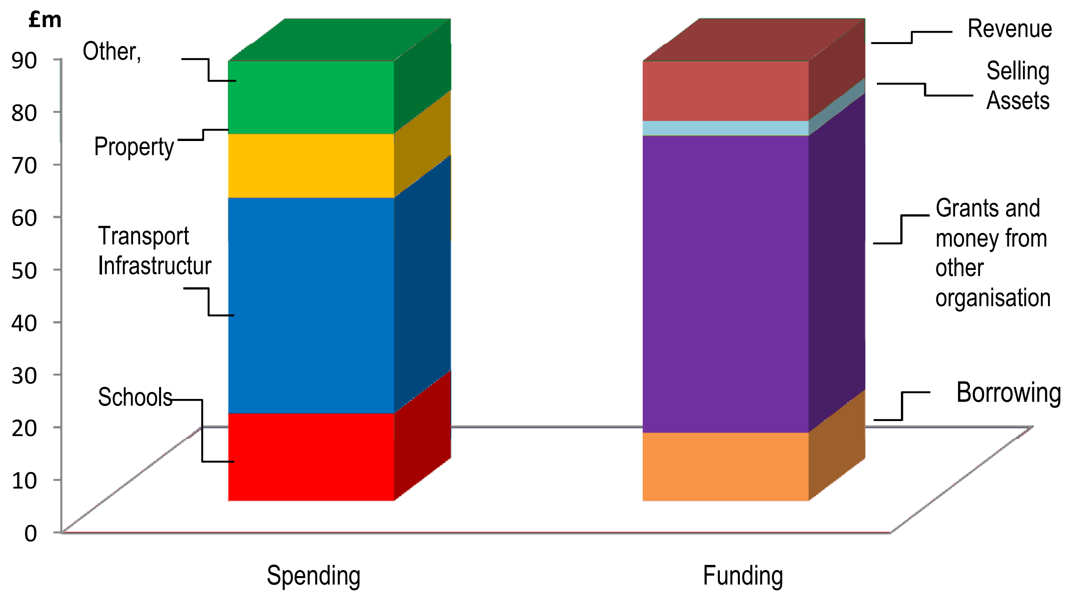
2016/17 was the third year of our four-year One Organisational Plan. Implementation of this plan requires savings of £66 million to be delivered, of which £46 million had been delivered by the end of 2016/17. £20 million of savings remain to be delivered by the end of 2017/18 and these savings form part of our new Medium Term Financial Plan that will take us through to 2020. Our current plans are outlined in the Medium Term Outlook section of this narrative report. Progress on the delivery of savings is managed as part of quarterly progress reports on the delivery of the 2014-18 One Organisation Plan.

Employees

At the end of the year we have the equivalent of 4,013 full-time employees. This is a decrease of 55 over the last year.

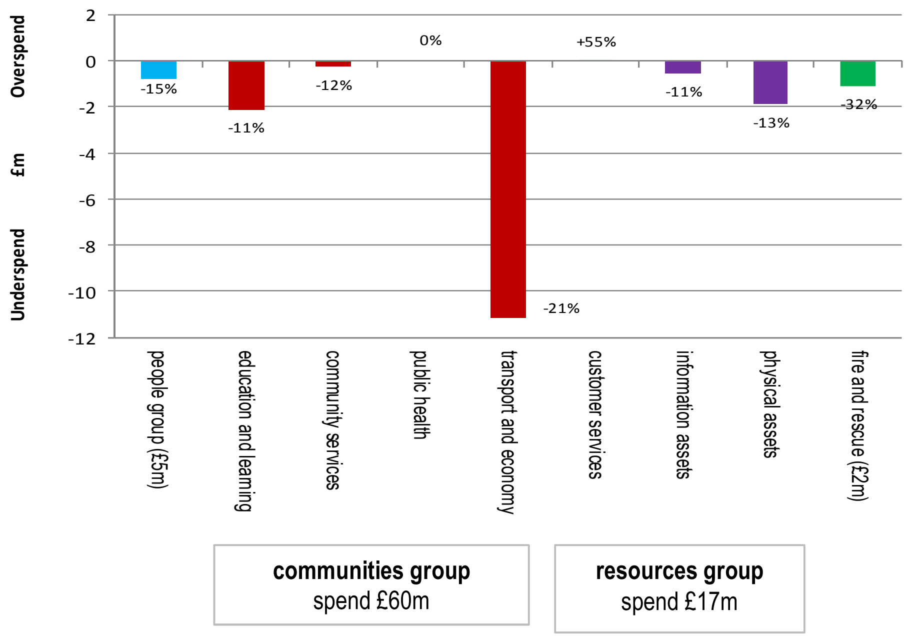
Capital spending

We spent £83.6 million on the purchase and creation of assets in 2016/17. Further details on the sources of finance and the areas of spending are provided in the chart.



Capital spending compared to our plans

Our capital spending was £18 million less than our estimate of £101 million. This underspend was due to delays on individual projects. Most of this spending now is expected to be incurred in 2017/18.



The chart on the left sets out our capital spend, by Business Unit and Group, in 2016/17, compared to the approved budget.

Our financial performance is monitored by Cabinet through the quarterly One Organisational Plan Progress report, which combines financial reporting with performance and risk reporting. You can get more information on our overall 2016/17 revenue and capital spending and the delivery of our planned savings in the end-of-year One Organisational Plan Progress report to Cabinet on 13 July 2017 (https://democratic.warwickshire.gov.uk/cmis5/CurrentCommittees.aspx)

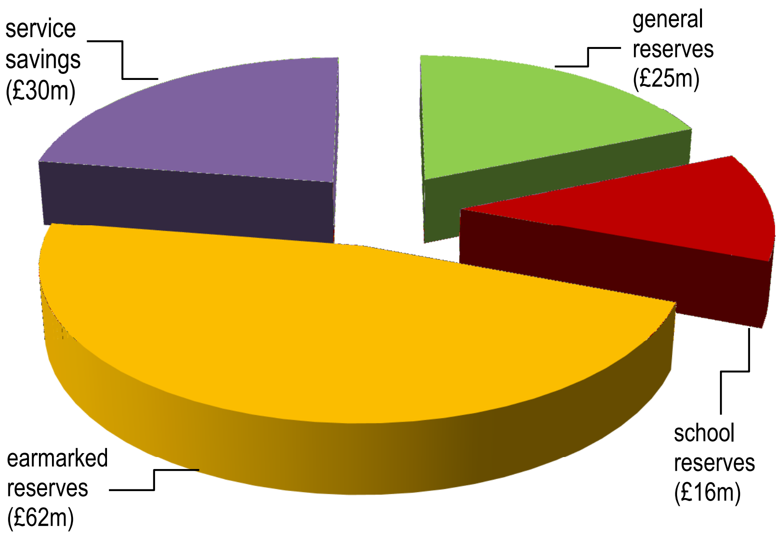
The value of our assets

The value of our fixed assets has decreased from £1,306 million to £1,301 million. The main reasons for the £5 million decrease in the value of our assets during 2016/17 are:

- Schools valued at £40 million transferring to academy status during 2016/17, resulting in them no longer being part of our asset base;
- The sale of assets valued at £3 million as part of our on-going property rationalisation programme;
- £70 million investment in assets that we own;
- A charge for the use of assets during the year of £46 million; and
- An increase in the value of our assets as a result of revaluations during the year of £14 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 2017 our usable revenue reserves are £133 million. A breakdown is shown in the chart on the left. £11 million of these reserves are planned to be used to support the budget in 2017/18.

Pensions

At 31 March 2017 our total pensions' liability was £802 million, an increase of £121 million over the year. Whilst this is shown as a long-term liability in our accounts, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and means that our financial position remains healthy.

Borrowing and investments

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

The key highlights of the Council's Treasury Management activities in 2016/17 are:

- Whilst the average rate that financial institutions lend money to each other (LIBID) was 0.20% during 2016/17 our treasury management activity generated average interest on investments of 1.10%;
- 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;
- Our long-term debt outstanding is £352 million at 31 March 2017 compared to £353 million at 31 March 2016; and
- At 31 March 2017 we are holding £162 million of cash or cash equivalents, a decrease of £7 million from the previous year.

Delivery of the 2014-18 One Organisation Plan

In February 2014 we agreed our 2014-18 One Organisation Plan that outlined our proposals to shape the future of Warwickshire over the next four years. We know that more people will be living in the county and the make-up of Warwickshire's households will change. We know that people will access services in different ways and technology will play a big role in this. Delivery of this plan guided our spending in 2016/17.

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

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

Overall, at the end of the third year of the 2014-18 One Organisation Plan we are on target to deliver all our high level outcomes by 2018.

			2015/16	2016/17
	Our communities & individuals are safe and protected from harm and are able to remain independent for longer	Our vulnerable individuals are safe, protected from harm and independent for longer	R	A
		Our children live in safe and supportive families		
		Our communities and individuals are encouraged to help themselves and feel safe and secure		
		Our voluntary sector provides a strong offer of targeted support		

	The health & wellbeing of all in Warwickshire is protected	Improved health and well-being for everyone	2015/16	2016/17
		Our residents have choice and exercise maximum control over their health and social care regardless of where they live	R	A
		Our residents are happy and have good levels of mental and physical health		
		Young people understand the choices available to lead healthy lives		
		Our residents enjoy an enhanced quality of life		

	Our economy is vibrant, residents have access to jobs, training & skills development	Warwickshire is the business centre of choice for the region	2015/16	2016/17
		Our economy provides quality jobs and unlocks entrepreneurship	R	A
		Our young people are supported to meet their needs and aspirations		
		Our residents learn throughout their lives, are skilled and ready for employment and fulfil their potential		

	Warwickshire's communities are supported by excellent communications and transport infrastructure	Our planning infrastructure delivers strategic solutions for partners and ourselves	2015/16	2016/17
		Our integrated sustainable transport networks are fit for the future and meet the needs of residents and businesses	A	A
		The digital divide in Warwickshire is addressed and opportunities from new technologies are maximised		

	Resources and services are targeted effectively and efficiently whether delivered by the local authority, commissioned or in partnership	The council's budget remains balanced and resources and managed effectively	2015/16	2016/17
		High quality needs based public services are deployed effectively and efficiently no matter how they are provided	A	A
		Customers access information through multiple channels and demand for council services is effectively managed		
		Our staff are highly skilled and supported		
		Risk and change is managed effectively		

Management of Risk

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

We have six other significant risks which are also actively managed, with mitigating actions in place. These also remain critical to our planning for the future. These risks are:

- Continuing pressure on adult social services and health
- Government policies, new legislation and sustained austerity measures present immediate challenges and further imposed significant savings over the medium term
- The impact of devolution, the public sector reform agenda, national and local policy direction for Warwickshire on service delivery, and
- The ability to secure economic growth in Warwickshire
- The failure to maintain the security of personal or protected data held by the Council, and
- The inability to keep our communities safe from harm

Medium Term Outlook

In February 2014 we put in place a budget and medium term financial plan within which the 2014-18 One Organisation Plan will be delivered. However, it became clear when we were refreshing the 2016/17 budget that we were facing a fundamentally different financial landscape, with the period of austerity for public services expected to continue until 2020. We acknowledged that we would have to start planning for further savings in 2017/18 onwards and that we were looking at reductions of up to £60 million in what we would otherwise be looking to spend over the period. It is why, when setting the 2016/17 budget, we planned to use £22 million of reserves whilst we put place a new financial plan for 2017-20 in place.

In February 2017 our 2017-20 One Organisation Plan was approved. It is a single, policy-led plan that sets out a clear and compelling vision for Warwickshire, setting out clearly where we need to get to by 2020 and how we are going to get there.

Our core purpose is that:

- *We want to make Warwickshire the best it can be*

supported by two outcomes:

- *Warwickshire's communities and individuals are supported to be safe, healthy and independent*
- *Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure*

The medium term financial plan underpins the delivery of our One Organisation Plan 2020. The amount of money we have available to provide services, excluding schools, will be in the region of £392 million by 2020. A year by year breakdown is presented is more detail below and includes an annual increase in council tax each year of 1.99% plus an extra 2% levy specifically for adult social care.

	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	20	10	-
Business Rates	61	63	65
Other Government Grants	41	44	49
Adult Social Care Levy (2% year on year increase)	10	15	20
Council Tax (1.99% year on year increase)	244	251	258
Total Revenue Resources	376	383	392

Council tax remains the biggest source of income and the development of the 2017-20 Plan continues to provide the opportunity to take a longer term approach to setting the council tax. We have identified that over the three years of the plan we must deliver savings of £67 million. The savings have been identified from all areas of activity and will be delivered in a phased manner over the three years.

Inflation

We have allowed for the cost of inflation over the period 2017-20 of £24 million. Funding has been allocated to cover the cost of inflation at a local level to minimise the impact on services.

Spending Pressures

We have allocated £2.5 million a year to respond to expected or new spending pressures that emerge through to 2020 to ensure we have in place a medium term financial plan that is financially resilient.

Capital Resources

We will use our capital resources over the next three years to support an enhanced programme of investment in Warwickshire's future. We will supplement our £20 million annual borrowing by reinvesting the additional funding we receive as a result of growth in delivering a positive and sustainable impact for the people and communities of Warwickshire.

Adult Social Care

We will use all of the additional 2% levy to increase the resources available to deliver adult social care, meeting demographic, statutory and inflationary pressures and delivering a service that supports people shaping their own solutions.

Content and Format of the Statement of Accounts

Core Financial Statements

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

Comprehensive Income and Expenditure Statement	Balance Sheet
An accounting deficit of £57.3 million for 2016/17 has been reported; the outturn position is a £1.2 million surplus. *This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, impairment and pensions charges.*	**A decrease of £123.6 million in County Council's net assets as at 31 March 2017.** *The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2017 the County Council's net worth was £319.2 million.*
Cash Flow Statement	**Movement in Reserves Statement**
A net cash outflow of £6.5 million in 2016/17 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 £0.2 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. It reflects a change of accounting policy in relation to the presentation of services recorded in the Comprehensive Income and Expenditure Statement to more closely reflect the management of services within the authority.

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

John Betts
Head of Finance

Comprehensive Income and Expenditure Statement

This section summarises our spending on services and where we got the money from.						
2015/16 (Restated)				2016/17		
Gross expenditure £m	Gross income £m	Net expenditure £m	Summary of revenue spending	Gross expenditure £m	Gross income £m	Net expenditure £m
			Money spent on services			
231.6	-32.2	199.4	~ Communities Group	234.4	-37.7	196.7
23.8	-0.8	23.0	~ Fire Service	23.0	-0.2	22.8
236.7	-38.3	198.4	~ People Group	238.2	-42.1	196.1
57.7	-7.5	50.2	~ Resources Group	59.3	-10.0	49.3
225.4	-277.8	-52.4	~ Schools	237.3	-279.0	-41.7
3.3	-33.8	-30.5	~ Other Services	3.5	-37.0	-33.5
-5.9	0.0	-5.9	~ non distributed costs	1.6	0.0	1.6
772.6	**-390.4**	**382.2**	**Net cost of services (total continuing services)**	**797.3**	**-406.0**	**391.3**
19.2	0.0	19.2	~ Other operating expenditure (note 4)	41.5	0.0	41.5
59.4	-28.6	30.8	~ Financing and investment income and expenditure (note 5)	56.1	-18.1	38.0
0.0	-400.0	-400.0	~ Taxation and non-specific grant income and expenditure (note 6)	0.0	-413.5	-413.5
851.2	**-819.0**	**32.2**	**Surplus (-) or deficit on the provision of services (Note 1)**	**894.9**	**-837.6**	**57.3**
			Items that will not be reclassified to the surplus (-) /deficit on the provision of services			
-0.4		-0.4	~ Surplus (-) or deficit on revaluation of property, plant and equipment	-25.0		-25.0
0.5		0.5	~ Surplus or deficit on revaluation of available for sale financial assets	-3.0		-3.0
-174.5		-174.5	~ Remeasurements of the net defined benefit liability/(asset)	94.3		94.3
-174.4	**0.0**	**-174.4**	**Other comprehensive income and expenditure**	**66.3**	**0.0**	**66.3**
676.8	**-819.0**	**-142.2**	**Total comprehensive income and expenditure**	**961.2**	**-837.6**	**123.6**

To arrive at the figures for each group in the table above we adjust the income and expenditure figures used internally to assess our financial performance as required by the Code of Practice and regulations. A reconciliation of these adjustments and more details as to what each adjustment relates to are shown in the Expenditure and Funding Analysis (Note 1 on page 33) and the Adjustments between accounting basis and funding basis under regulations (Note 2 on page 37) in conjunction with the Movement in Reserves Statement on page 22. We have not included details of the amount of the adjustment to 2015/16 comparative figures for each financial statement line affected as we do not consider that including this detail has a material impact on the understanding of users of the accounts. The Net Cost of Services and all lines below it in the Comprehensive Income and Expenditure Statement for 2015/16 remain unchanged.

Movement in Reserves Statement

Movement in Reserves Statement - 2016/17	General Fund (Unearmarked Funds) £ m	General Fund Earmarked Reserves £ m	General Fund Capital Fund £ m	Total General Fund Reserves £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2016	**21.4**	**112.4**	**0.8**	**134.6**	**1.2**	**135.8**	**307.0**	**442.8**
Movement in Reserves during 2016/17								
Total Comprehensive Income and Expenditure	-57.3	0.0	0.0	-57.3	0.0	-57.3	-66.3	-123.6
Adjustments between accounting basis and funding basis under regulations (note 2)	56.1	0.0	0.0	56.1	1.4	57.5	-57.5	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**-1.2**	**0.0**	**0.0**	**-1.2**	**1.4**	**0.2**	**-123.8**	**-123.6**
Transfers to / from (-) Earmarked Reserves (note 7)	4.9	-5.1	0.2	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	**3.7**	**-5.1**	**0.2**	**-1.2**	**1.4**	**0.2**	**-123.8**	**-123.6**
Balance at 31 March 2017	**25.1**	**107.3**	**1.0**	**133.4**	**2.6**	**136.0**	**183.2**	**319.2**

Movement in Reserves Statement - 2015/16	General Fund (Unearmarked Funds) £ m	General Fund Earmarked Reserves £ m	General Fund Capital Fund £ m	Total General Fund Reserves £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2015	**18.8**	**109.6**	**1.0**	**129.4**	**6.9**	**136.3**	**164.3**	**300.6**
Movement in Reserves during 2015/16								
Total Comprehensive Income and Expenditure	-32.2	0.0	0.0	-32.2	0.0	-32.2	174.4	142.2
Adjustments between accounting basis and funding basis under regulations (note 2)	37.4	0.0	0.0	37.4	-5.7	31.7	-31.7	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**5.2**	**0.0**	**0.0**	**5.2**	**-5.7**	**-0.5**	**142.7**	**142.2**
Transfers to / from (-) Earmarked Reserves (note 7)	-2.6	2.8	-0.2	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	**2.6**	**2.8**	**-0.2**	**5.2**	**-5.7**	**-0.5**	**142.7**	**142.2**
Balance at 31 March 2016	**21.4**	**112.4**	**0.8**	**134.6**	**1.2**	**135.8**	**307.0**	**442.8**

Balance Sheet as at 31 March 2017

2016 £ m	Balance Sheet as at 31 March	2017 £ m	Notes
1,260.2	Property, plant and equipment	1,236.5	**8**
40.4	Investment property	58.8	**11**
4.0	Heritage assets	4.2	**10**
1.4	Intangible assets	1.2	**12**
1,306.0	**Total fixed assets**	1,300.7	
0.5	Long-term investments	2.2	
1,306.5	**Total long-term assets**	**1,302.9**	
	Current assets		
81.9	Short-term investments	74.0	
0.7	Inventories	0.8	
49.2	Short-term debtors	56.8	**14**
169.2	Cash and cash equivalents	162.7	**15**
0.8	Assets held for sale	0.3	**16**
301.8	Total current assets	294.6	
	Current liabilities		
-6.2	Provisions (settlement within 12 months)	-4.9	**18**
-25.0	Short-term borrowing	-1.1	**37**
-73.1	Short-term creditors	-92.8	**17**
-0.1	Grants received in advance - revenue	-0.2	**24**
-104.4	Total current liabilities	-99.0	
197.4	**Current assets less current liabilities**	**195.6**	
-2.5	Provisions (settlement over 12 months)	-2.3	**18**
-353.4	Long-term borrowing	-352.3	**37**
-23.8	Capital grants received in advance	-22.9	**24**
	Other long-term liabilities		
-681.4	~ Liability related to defined benefit pension scheme	-801.8	**20**
-1,061.1	**Long-term liabilities**	**-1,179.3**	
442.8	**Net assets**	**319.2**	
135.8	Usable reserves	136.0	**19**
307.0	Unusable reserves	183.2	**20**
442.8	**Total reserves**	**319.2**	

John Betts
Head of Finance
1 June 2017

Cash Flow Statement

Year ended 31 March 2016 £ m	Cash Flow Statement	Year ended 31 March 2017 £ m
20.2	Operating activities (note 21)	28.8
6.2	Investing activities (note 22)	-10.3
-5.1	Financing activities (note 23)	-25.0
21.3	**Net increase or decrease in cash and cash equivalents**	**-6.5**

Year ended 31 March 2016 £ m	Reconciliation to movement in cash and cash equivalents	Year ended 31 March 2017 £ m
147.9	Cash and cash equivalents at the beginning of the reporting period	169.2
169.2	Cash and cash equivalents at the end of the reporting period	162.7
21.3	**Movement in cash and cash equivalents**	**-6.5**

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 2016/17 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of income and expenditure

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

Assets held for sale

Where we have made a decision to sell an asset and the asset is being actively marketed it is categorised as held for sale. If a sale is expected within 12 months of making that decision the assets are shown separately in the financial statements (treated as current assets). We value these at the lower of 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 61. 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 62. These are not included in our Balance Sheet.

Employee benefits

Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

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

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

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

All four schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes, our accounting policies in relation to them and their impact on the financial statements are shown in note 39 on page 67.

Events after the Balance Sheet date

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

Exceptional items, prior period adjustments and changes to accounting policies

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

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

Fair value

We value our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2016/17 fair value affects only non-operational property, plant and equipment classified as surplus assets and financial instruments.

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

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

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

These are shown in notes 8, 11, 13 and 16 on pages 41, 44, 46 and 49 respectively.

Financial assets

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

Loans and receivables

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

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

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

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

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

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

Available-for-sale assets

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

Financial liabilities

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

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

Government grants

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

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

Heritage assets

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

Income from selling non-current assets

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

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

Intangible assets

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

Inventories

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

Investment property

Investment property assets are those held for rental purposes or capital value appreciation or both. They are not used for the delivery of services. It is initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. For investment property, fair value is the amount for which the assets 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 2016/17 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 2017 were valued in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use. However, where there is insufficient market valuation evidence some land and buildings, for example schools, are included in the Balance Sheet at a depreciated replacement cost.
- Surplus assets are not used by us in our day to day work and are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use.
- The valuation of assets held for sale is disclosed in the accounting policy on assets held for sale on page 25.
- The valuation of investment properties is disclosed in the accounting policy on investment properties on page 29.
- 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 28.

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

Impairments and revaluation losses

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

Depreciation

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

The cost of depreciation is calculated according to the following:

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

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

The estimated useful economic lives of our land and buildings, as at 31 March 2014, was assessed by our valuers as part of the revaluation of these assets. These estimates are reflected in the depreciation charges for 2016/17.

Provisions

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

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

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

Reserves

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

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

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

- The capital accounting system requires us to maintain a number of accounts/reserves in the Balance Sheet. Details of the purpose and movements in these reserves (the Revaluation Reserve, Capital Adjustment Account, Financial Instruments Adjustment Account and the Available for Sale Financial Instruments Reserve) are shown in note 20 to the accounts on page 51.
- We keep a separate reserve to hold unused cash we receive from non-current assets. This is described in the Balance Sheet as the 'Capital Receipts Reserve'.
- We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a reserve called 'Capital Grants Unapplied' if there are no remaining conditions on their use.
- We maintain a 'Collection Fund Adjustment Account' which holds the difference between the amount required to be shown in the Comprehensive Income and Expenditure Statement for council tax and business rates and that required by legislation to be taken against the General Fund.
- We maintain a Compensated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax.

Revenue expenditure funded from capital under statute

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

Schools and schools assets

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the local authority. We therefore recognise schools assets, liabilities, reserves and cash flows in our financial statements as if there were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset. School assets are derecognised in full on the date that a school transfers to academy status.

VAT

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

Notes to the Core Financial Statements

Note 1: Expenditure and Funding Analysis and associated notes

The purpose of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed and earned by the authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement on page 21.

2015/16 (Restated)				2016/17		
Net Expenditure Chargeable to the General Fund £m	Adjustments Between the Funding and Accounting Basis £m	Net expenditure in the Comprehensive Income and Expenditure Statement £m	Summary of revenue spending	Net Expenditure Chargeable to the General Fund £m	Adjustments Between the Funding and Accounting Basis £m	Net expenditure in the Comprehensive Income and Expenditure Statement £m
			Money spent on services			
167.2	32.2	199.4	~ Communities Group	171.9	24.8	196.7
18.9	4.1	23.0	~ Fire Service	17.9	4.9	22.8
193.5	4.9	198.4	~ People Group	192.3	3.8	196.1
40.8	9.4	50.2	~ Resources Group	40.5	8.8	49.3
-70.0	17.6	-52.4	~ Schools	-65.5	23.8	-41.7
-125.5	95.0	-30.5	~ Other Services	-112.0	78.5	-33.5
0.0	-5.9	-5.9	~ non distributed costs	0.0	1.6	1.6
224.9	**157.3**	**382.2**	**Net cost of services (total continuing services)**	**245.1**	**146.2**	**391.3**
-230.1	-119.9	-350.0	~ Other income and expenditure	-243.9	-90.1	-334.0
-5.2	**37.4**	**32.2**	**Surplus (-) or deficit on the provision of services**	**1.2**	**56.1**	**57.3**
129.4			Opening General Fund Balances	134.6		
5.2			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	-1.2		
134.6			**Closing General Fund Balance**	**133.4**		

The General Fund balances above include a significant proportion of earmarked reserves including those held by schools. For more details and information see the Movement in Reserves on page 22 and Note 2 to the accounts on page 37.

Notes to the Expenditure and Funding Analysis

The table below provides a reconciliation of the main adjustments to the net expenditure chargeable to the General Fund Balances to arrive at amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statements on page 22.

Adjustments from General Fund to arrive at at the Comprehensive Income and Expenditure Statement Amounts	2016/17			
	Adjustments for Capital Purposes (Note a) £m	Net change for Pensions Adjustments (Note b) £m	Other Differences (Note c) £m	Total Adjustments £m
~ Communities Group	23.2	1.1	0.5	24.8
~ Fire Service	1.7	2.9	0.3	4.9
~ People Group	0.5	1.5	1.8	3.8
~ Resources Group	6.1	1.1	1.6	8.8
~ Schools	19.6	-1.1	5.3	23.8
~ Other Services	-17.9	0.1	96.3	78.5
~ non distributed costs	0.0	1.6	0.0	1.6
Net cost of services (total continuing services)	**33.2**	**7.2**	**105.8**	**146.2**
~ Other income and expenditure from the Expenditure and Funding Analaysis	-6.4	18.9	-102.6	-90.1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services	**26.8**	**26.1**	**3.2**	**56.1**

Adjustments from General Fund to arrive at at the Comprehensive Income and Expenditure Statement Amounts	2015/16			
	Adjustments for Capital Purposes (Note a) £m	Net change for Pensions Adjustments (Note b) £m	Other Differences (Note c) £m	Total Adjustments £m
~ Communities Group	29.4	2.5	0.3	32.2
~ Fire Service	1.6	2.5	0.0	4.1
~ People Group	0.8	3.3	0.8	4.9
~ Resources Group	6.3	2.4	0.6	9.3
~ Schools	20.3	1.1	-3.7	17.7
~ Other Services	-18.1	0.1	113.0	95.0
~ non distributed costs	0.0	-5.9	0.0	-5.9
Net cost of services (total continuing services)	**40.3**	**6.0**	**111.0**	**157.3**
~ Other income and expenditure from the Expenditure and Funding Analaysis	-27.7	22.5	-114.7	-119.9
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or Deficit on the Provision of Services	**12.6**	**28.5**	**-3.7**	**37.4**

Note 1a – Adjustments for capital purposes – this column adds in depreciation, impairment and revaluation gains and losses as well as Revenue Expenditure funded by Capital Under Statute (REFCUS) and capital grants used to fund that expenditure in to the service segments within the Comprehensive Income and Expenditure Account, and for:

- **Other operating expenditure –** adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off on those assets.
- **Financing and investment income and expenditure –** the statutory charges for capital financing ie Minimum Revenue Provision (MRP) and other revenue contributions are deducted from the Net Cost of Services as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 1b – Net change for the Pensions adjustments – this column adds the net change for the removal of pensions contributions and the addition of IAS19 employee pension related expenditure and income.

- For services – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement of current service costs and past service costs.
- For Financing and investment income and expenditure – the new interest on the defined benefit liability is charged to the CIES.

Note 1c – Other differences – this column add other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- **Financing and investment income and expenditure –** the other differences column recognises adjustments to the General Funds for the timing differences for premiums and discounts as a result of debt restructuring.

- **Taxation and non-specific grant income and expenditure** – represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is the timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund. Revenue grants that are receivable without conditions are required to be shown within Other Income and Expenditure in the Comprehensive Income and Expenditure Account rather than within the Net Cost of Services.

Expenditure and Income Analysed by Nature

Expenditure/Income	2015/16 £m	2016/17 £m
Expenditure:		
~ Employee expenses	336.9	352.4
~ Other services expenses	431.9	425.3
~ Support service recharges	0.1	0.0
~ Depreciation and amortisation	38.5	46.2
~ Impairment and revaluation losses (including reductions in fair value of investment property)	6.0	11.5
~ Interest payments	18.6	18.0
~ Precepts and Levies	0.2	0.2
~ loss on the disposal of assets	19.0	41.3
Total Expenditure	**851.2**	**894.9**
Income:		
~ Fees, charges and other service income	-96.6	-104.1
~ Interest and investment income (including increases in fair value of investment property)	-15.0	-3.7
~ Income from council tax	-229.3	-243.1
~ Government grants and contributions (including Revenue Support Grant and non domestic rates)	-478.1	-486.7
Total Income	**-819.0**	**-837.6**
Surplus or Deficit on the Provision of Services	**32.2**	**57.3**

Note 2: Adjustments between accounting basis and funding basis under regulations

Adjustments between accounting basis and funding basis under regulations - 2016/17	General Fund Balance £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
~ Charges for depreciation of non-current assets	45.7			-45.7
~ Revaluation losses on property, plant and equipment assets	10.5			-10.5
~ 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	-56.4			56.4
~ Revenue expenditure funded from capital under statute	12.6			-12.6
~ Amounts of non-current assets written off on disposal to the CIES	44.1			-44.1
Insertion of items not debited or credited to the CIES				
~ Statutory provision for the repayment of debt	-15.7			15.7
~ Capital expenditure charged to the General Fund Balance	-11.3			11.3
Adjustments primarily involving the Capital Grants Unapplied Account				
~ Capital Grants and contributions unapplied credited to the CIES	1.1		-1.1	0.0
~ Application of Capital Grants to the Capital Adjustment Account	-2.5		2.5	0.0
Adjustments primarily involving the Capital Receipts Reserve				
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-2.8	2.8	0.0	0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure		-2.8		2.8
Adjustments primarily involving the Financial Instruments Adjustment Account				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1			-0.1
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire-fighters pension liabilities	-5.6			5.6
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	72.4			-72.4
~ Employers pensions contributions and direct payments to pensioners payable in the year	-40.8			40.8
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	0.8			-0.8
~ 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	-2.5			2.5
Adjustment primarily involving the Accumulated Absences Account				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4.9			-4.9
Total adjustments	**56.1**	**0.0**	**1.4**	**-57.5**

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

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

The Comprehensive Income and Expenditure Statement in 2016/17 is showing a deficit of £123.6 million compared to a surplus of £142.2 million in 2015/16. The main reason for this is that we have an increase in the pension's liability as at 31 March resulting from a loss on the remeasurement of the net defined benefit liability by our Actuary.

There has been no significant restatement of prior year figures other than the presentation of services within the Comprehensive Income and Expenditure Statement referred to on page 21 .

Note 4: Other operating expenditure

2015/16 £ m	Other operating expenditure	2016/17 £ m
0.2	Levies - Environment Agency Levy	0.2
19.0	Losses on disposal/transfer of non-current assets	41.3
19.2		**41.5**

Note 5: Financing and investment income and expenditure

2015/16 £ m	Financing and investment income and expenditure	2016/17 £ m
18.6	Interest payable and similar charges	18.0
26.4	Net interest on the net defined benefit liability (asset)	23.8
-3.2	Interest receivable and similar income	-3.1
0.0	Gains realised on available for sale assets	-0.6
-13.4	Trading account income	-13.7
14.0	Trading account expenditure	12.9
-11.8	Income and expenditure on investment properties and changes in their fair value	1.0
0.4	Other investment expenditure	0.4
-0.2	Other investment income	-0.7
30.8		**38.0**

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

2015/16 £ m	Taxation and Non Specific Grant income and expenditure	2016/17 £ m
229.3	Council tax income	243.1
	Non domestic rates income and expenditure	
35.1	~ Retained business rates	35.5
23.6	~ Business rates top up	25.3
0.3	Business rates pool growth (WCC share)	0.5
0.3	Business rates pool surplus	0.6
56.1	Revenue Support Grant	37.5
	Other non-ringfenced Government grants	
5.1	~ Fire Pensions Fund Grant (gain)	5.6
15.8	~ Revenue grants	16.9
34.4	~ Capital grants and contributions	48.5
400.0		**413.5**

Note 7: Transfers to/from earmarked reserves

Movement in earmarked reserves (restated)	Balance at 1 April 2015 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2016 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2017 £ m
Schools Balances (under a scheme of delegation)	14.4	0.0	3.2	17.6	-2.9	0.0	14.7
Insurance Fund	8.5	0.0	0.0	8.5	-0.1	0.0	8.4
IT for Schools	-0.2	0.0	0.1	-0.1	0.0	0.0	-0.1
NNDR Appeals Reserve	1.0	0.0	0.0	1.0	0.0	0.0	1.0
NNDR Pool Reserve	-0.1	0.0	0.4	0.3	0.0	0.6	0.9
Redundancy Fund	11.9	0.0	0.8	12.7	-0.3	0.0	12.4
Capacity Building Fund	1.4	0.0	0.0	1.4	0.0	0.8	2.2
Elections Reserve	0.2	0.0	0.3	0.5	0.0	0.3	0.8
Medium Term Contingency	20.5	-3.2	0.0	17.3	-1.4	0.0	15.9
Adult Social Care (Better Care Fund) Reserve	0.0	0.0	0.0	0.0	0.0	1.2	1.2
Social Care Support Savings	11.3	-1.7	0.0	9.6	-3.1	0.0	6.5
Strategic Commissing Savings	4.8	-0.2	1.2	5.8	-1.1	0.0	4.7
Other Business Unit savings and earmarked reserves (net movement)	35.9	0.0	1.9	37.8	-8.3	9.2	38.7
Total	**109.6**	**-5.1**	**7.9**	**112.4**	**-17.2**	**12.1**	**107.3**

The money that Business Units set aside is held to make sure that they can meet future known budget commitments, and that 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. A summary of the reserves held by the groups are shown in the table below.

Balance at 1 April 2016 £ m	Earmarked Reserves - Group Analysis	Balance at 31 2017 £ m
13.1	Communities Group	11.3
1.7	Fire Service	2.7
20.2	People Group	16.6
10.0	Resources Group	10.7
18.3	Schools	15.8
10.2	Other Services	12.6
38.9	Corporate	37.6
112.4	**Total**	**107.3**

Note 8: Property, plant and equipment

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks & open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2016	856.6	2.8	55.7	510.8	3.4	52.4	1,481.7
Depreciation balance at 1 April 2016	-32.7	0.0	-40.6	-148.0	-0.2	0.0	-221.5
Net book value at 1 April 2016	**823.9**	**2.8**	**15.1**	**362.8**	**3.2**	**52.4**	**1,260.2**
Changes in the year							
~ opening balance adjustment	-0.4	0.0	0.3	0.0	0.0	-0.6	-0.7
~ reclassifications	-20.4	0.3	0.0	0.0	-0.6	-0.4	-21.0
~ spending on assets	17.6	0.0	2.0	23.5	0.3	27.4	70.8
~ transfer of assets under construction to operational assets on project completion	11.7	0.0	0.0	28.7	0.1	-40.7	-0.2
~ value of assets we have sold/transferred	-41.9	0.0	-1.2	0.0	0.0	-2.6	-45.7
~ changes in the value of assets: revaluation	7.4	-0.2	0.0	0.0	0.0	0.0	7.2
Depreciation							
~ opening balance adjustment	0.1	0.0	0.0	0.0	0.0	0.0	0.1
~ depreciation written off on revaluation	7.3	0.1	0.0	0.0	0.0	0.0	7.4
~ depreciation written off on disposal	3.3	0.0	1.0	0.0	0.0	0.0	4.3
~ depreciation	-23.8	0.0	-4.8	-17.0	-0.1	0.0	-45.7
Net book value at 31 March 2017	**784.8**	**2.9**	**12.5**	**397.9**	**3.0**	**35.4**	**1,236.5**
Gross book value at 31 March 2017	830.6	2.9	56.8	563.0	3.2	35.5	1,492.0
Depreciation balance at 31 March 2017	-45.8	0.1	-44.4	-165.0	-0.3	0.0	-255.4
Net book value at 31 March 2017	**784.8**	**2.9**	**12.5**	**397.9**	**3.0**	**35.4**	**1,236.5**

Table may not sum due to roundings

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

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

Depreciation – see accounting policies on page 31.

Capital commitments
At 31 March 2017, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 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 £22.9 million. Similar commitments at 31 March 2016 were £7.9 million.

The three largest outstanding commitments are as follows:

1. Balfour Beatty Highways Maintenance Contract - £14.4 million.
2. Design and Build for Kenilworth Station - £3.7 million
3. Kineton High School refurbishment and new science block - £1.5 million

Effects of changes in estimates
There have been no material changes to our accounting estimates for property, plant and equipment in 2016/17.

Fair Value Measurement

Under IFRS 13 the valuation techniques and assumptions for all assets classifications except investment property, surplus assets and assets held for sale remain unchanged. The table below shows the fair value of these classes of assets.

Fixed Assets - Fair value 31 March 2017	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Investment Properties	35.4	23.3	0.1	58.8
Surplus Assets	0.0	2.9	0.0	2.9
Other - Assets Held for Sale	0.3	0.0	0.0	0.3
Total	**35.7**	**26.2**	**0.1**	**62.0**

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

Revaluations

We carry out a programme of revaluations that ensures all property, plant and equipment required to be measured at fair value for the asset type is revalued at least every five years. This is in line with our revaluation policies on page 30. The table below shows the date at which our property, plant and equipment assets were last valued.

Revaluations	Land and buildings £ m	Surplus Assets £ m	Vehicles, machinery, furniture and equipment £ m	Roands and bridges £ m	Country parks and open spaces £ m	Assets under construction £ m	Total £ m
Carried at historical cost	**0.0**	**0.0**	**12.5**	**397.9**	**3.0**	**35.4**	**448.8**
Valued at current value as at:							
31st March 2017	121.9	2.9	0.0	0.0	0.0	0.0	**124.8**
31st March 2016	56.0	0.0					**56.0**
31st March 2015	296.6	0.0					**296.6**
31st March 2014	310.3	0.0					**310.3**
Total cost or valuation	**784.8**	**2.9**	**12.5**	**397.9**	**3.0**	**35.4**	**1,236.5**

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

Note 9: School property, plant and equipment

The value of our school property, plant and equipment is £652.6 million (2015/16 - £692.6 million). The table below shows a breakdown across the various types of school.

School Property, plant and equipment At 31 March 2017	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	169.3	164.1	3.5	336.9	91
Voluntary Aided Schools	75.6	66.4	0.0	142.0	36
Voluntary Controlled Schools	68.8	62.6	0.0	131.4	42
Foundation Schools	24.7	17.6	0.0	42.3	9
Net book value at 31 March 2017	**338.4**	**310.7**	**3.5**	**652.6**	**178**

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

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

Note 10: Heritage assets

The net book value of the heritage assets we hold is £4.2 million (£4.0m in 2015/16). There have been no significant acquisitions during 2016/17 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 28. 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 2016 £ m	Investment properties	31 March 2017 £ m
0.4	Direct net operating expense arising from investment property	0.4
0.4	**Net gain/loss (-)**	**0.4**

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

31 March 2016 £ m	Investment properties	31 March 2017 £ m
29.2	Balance at the start of the year	40.4
4.5	Opening balance adjustment	-0.9
-5.4	Reclassifications	20.7
1.7	Additions	0.1
-1.4	Disposals	-0.5
11.8	Net gains/losses (-) from fair value adjustments	-1.0
40.4	**Balance at the end of the year**	**58.8**

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 2016/17 (£nil in 2015/16). We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years). The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.5 million charged to revenue in 2016/17 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 2015/16 £ m	Intangible assets	Software licences we have bought 2016/17 £ m
4.3	Gross book Value at 1 April	3.9
-2.4	Amortisation balance at 1 April	-2.5
1.9	**Net book value at 1 April**	**1.4**
	Changes in the year	
-0.5	~ Opening Balance Adjustment	0.1
0.1	~ Spending on assets	0.0
0.0	~ Transfer from work in progress to complete	0.2
	Amortisation	
0.5	~ Opening balance adjustment	0.0
-0.6	~ Amortisation	-0.5
1.4	**Net book value at 31 March**	**1.2**
3.9	Gross book Value at 31 March	4.2
-2.5	Amortisation balance at 31 March	-3.0
1.4	**Net book value at 31 March**	**1.2**

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 2016**			**31 March 2017**		
	Current £m	**Long-term £m**	**Total £m**	**Current £m**	**Long-term £m**	**Total £m**
Financial Assets						
Investments:						
~ Loans and receivables	30.1	0.0	30.1	30.2	0.0	30.2
~ Available-for-sale financial assets	0.0	0.5	0.5	0.0	2.2	2.2
~ Financial assets at fair value through profit and loss	51.8	0.0	51.8	43.8	0.0	43.8
Total investments	**81.9**	**0.5**	**82.4**	**74.0**	**2.2**	**76.2**
Debtors:						
~ Financial assets carried at contract amounts	32.6	0.0	32.6	36.7	0.0	36.7
Total Debtors	**32.6**	**0.0**	**32.6**	**36.7**	**0.0**	**36.7**
Cash:						
~ Loans and receivables (cash and cash equivalents)	169.2	0.0	169.2	162.7	0.0	162.7
Total Cash	**169.2**	**0.0**	**169.2**	**162.7**	**0.0**	**162.7**
Total Financial assets	**283.7**	**0.5**	**284.2**	**273.4**	**2.2**	**275.6**

Financial Assets and liabilities	**31 March 2016**			**31 March 2017**		
	Current £m	**Long-term £m**	**Total £m**	**Current £m**	**Long-term £m**	**Total £m**
Financial Liabilities						
Borrowings:						
~ Financial liabilities at amortised cost	25.0	353.4	378.4	1.1	352.3	353.4
Total Borrowings	**25.0**	**353.4**	**378.4**	**1.1**	**352.3**	**353.4**
Creditors:						
~ Financial liabilities at contractual amounts	53.0	0.0	53.0	67.3	0.0	67.3
Total	**53.0**	**0.0**	**53.0**	**67.3**	**0.0**	**67.3**
Total Financial Liabilities	**78.0**	**353.4**	**431.4**	**68.4**	**352.3**	**420.7**

Reconciliation to Balance Sheet carrying amounts	**2015/16 £m**	**2016/17 £m**
Debtors that are financial instruments	32.6	36.7
Debtors that are not financial instruments	16.6	20.1
Total Debtors	**49.2**	**56.8**
Creditors that are financial instruments	53.0	67.3
Creditors that are not financial instruments	20.1	25.5
Total Creditors	**73.1**	**92.8**

Comparison with Fair Values	2015/16 £m	2016/17 £m
Financial Assets at carrying amount	284.2	275.6
Financial Assets at fair value	284.2	275.6
Effects of fair value	**0.0**	**0.0**
Financial Liabilities at carrying amount	431.4	420.7
Financial Liabilities at fair value	571.9	609.5
Effects of fair value	**140.5**	**188.8**

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

Financial Instruments - Fair value 31 March 2017	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Financial Assets:-				
~ Investments - Loans and receivables (carried at cost plus accrued interest)	0.0	30.2	0.0	30.2
~ Available for sale financial assets	0.0	0.0	2.2	2.2
~ Financial assets at fair value through profit and loss	0.0	43.8	0.0	43.8
Debtors				
- Financial assets carried at contractual amounts (deemed to be fair value)	36.7	0.0	0.0	36.7
Cash:-				
- Loans and receivables (cash and cash equivalents) - deemed to be fair value	162.7	0.0	0.0	162.7
Total Financial Assets	**199.4**	**74.0**	**2.2**	**275.6**
Financial Liabilities:-				
Borrowings:-				
- Financial liabilities carried at amortised cost	0.0	542.2	0.0	542.2
Creditors:-				
- Financial liabilities carried at contractual amounts (deemed to be fair value)	67.3	0.0	0.0	67.3
Total Financial Liabilities	**67.3**	**542.2**	**0.0**	**609.5**

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

	Interest expense in (Surplus)/Deficit on the Provision of Services		Investment income in (Surplus)/Deficit on the Provision of Services		Gain or (loss) on revaluation of financial assets in Other Comprehensive Income and Expenditure	
Interest paid and investment income received	**2015/16 £m**	**2016/17 £m**	**2015/16 £m**	**2016/17 £m**	**2015/16 £m**	**2016/17 £m**
~ Financial liabilities at amortised cost	-18.6	-18.0	0.0	0.0	0.0	0.0
~ Financial assets (loans and receivables)	0.0	0.0	3.2	3.1	0.0	0.0
~ Financial assets (at fair value through profit and loss)	0.0	0.0	0.0	0.6	-0.7	1.2
~ Financial assets (available for sale)	0.0	0.0	0.0	0.0	0.2	1.8

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

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

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

Available for sale financial assets are valued internally using the earnings multiple valuation method based on the latest available accounts for the companies in which we hold shares. Where that data is not available they are valued at cost. The total value of these holdings is £2.2 million at 31 March 2017.

In assessing fair value we have made the following assumptions:

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

There have been no transfers between input levels in 2016/17 and no changes in the valuation techniques for financial instruments during the year.

Note 14: Debtors

31 March 2016 £ m	Short-term debtors	31 March 2017 £ m
1.5	Central Government bodies	7.1
3.8	VAT (due to us)	4.1
3.3	Other local authorities	3.8
2.2	Health Service bodies	2.4
0.7	Collection Fund debtors (billing authorities)	3.1
8.5	Council tax debtors	9.0
-2.2	~ less bad debts	-2.4
0.5	Business Rates debtors	0.6
-0.1	~ less bad debts	-0.2
32.0	Other entities and individuals	30.3
-1.0	- less bad debts	-1.0
49.2	**Balance at the end of the year**	**56.8**

Note 15: Cash and cash equivalents

31 March 2016 £ m	Cash and cash equivalents	31 March 2017 £ m
15.4	Cash held by the authority (including schools and imprest accounts)	12.7
117.2	Bank current accounts (call accounts and instant access deposit accounts)	150.0
36.6	Short-term deposits with building societies and other institutions less than 3 months maturity	0.0
169.2	**Total cash and cash equivalents**	**162.7**

Note 16: Assets held for sale

31 March 2016 £ m	Current assets held for sale	31 March 2017 £ m
0.0	Balance outstanding at start of year	0.8
0.8	Assets newly classified as held for sale	0.3
0.0	Assets sold	-0.8
0.8	**Balance outstanding at year end**	**0.3**

The IFRS13 valuations and disclosures of assets held for sale are shown in note 8 on page 41

Note 17: Creditors

31 March 2016 £ m	Creditors	31 March 2017 £ m
8.5	Central Government bodies	8.3
3.8	Other local authorities	4.0
1.9	Health Service bodies	2.4
2.5	Council tax overpayments and prepayments	2.7
0.1	Business rates overpayments and prepayments	0.1
2.1	Accumulated absences accruals (IFRS)	7.0
1.1	Collection Fund amounts owed to billing authorities - council tax	2.3
0.1	Collection Fund amounts owed to billing authorities - business rates	0.0
53.0	Other entities and individuals	66.0
73.1	**Balance at the end of the year**	**92.8**

Note 18: Provisions

Our provisions total £7.2 million (£8.7 million 2015/16).

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 £2.0 million to cover the claw back and the outstanding claims.

We have to account for our share of non domestic rating appeals that are still to be resolved by the Valuation Office Agency (VOA) for the District and Borough Councils in Warwickshire. A new valuation list is due to be in place by April 2017, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £2.5 million.

We have reassessed the balance of liabilities between the county council and the Firefighters Pension Fund. The details are shown in pages 84 and 85. Some of the final costs are still uncertain and so a provision of £0.6 million has been included.

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. This and all other provisions, totalling £2.1 million, are individually insignificant.

Note 19: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement on page 22 and in notes 1 and 2 on pages 33 to 37. A summary of revenue and capital usable reserves is shown below:

31 March 2016 £ m	Usable reserves	31 March 2017 £ m
21.4	General Fund	25.1
112.4	Earmarked Reserves	107.3
0.8	Capital Fund	1.0
1.2	Capital Grants Unapplied	2.6
135.8	**Total usable reserves**	**136.0**

Note 20: Unusable Reserves

31 March 2016 £ m	Unusable reserves	31 March 2017 £ m
152.9	Revaluation Reserve	144.2
834.5	Capital Adjustment Account	840.1
0.1	Financial Instruments Adjustment Account	0.0
2.1	Available for Sale Financial Instruments Reserve	5.1
-2.1	Accumulated Absences Reserve	-7.0
0.9	Collection Fund Adjustment Account	2.6
-681.4	Pensions Reserve	-801.8
307.0	**Total unusable reserves**	**183.2**

Revaluation Reserve

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

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

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

2015/16 £ m	Movement in the capital reserves and accounts - Revaluation Reserve	2016/17 £ m
154.0	Balance on 1 April	152.9
-2.2	Opening balance adjustments	-5.0
2.6	Revaluation increases	25.0
0.0	Depreciation adjustment to Revaluation reserve	-6.0
-1.5	Value of asset disposals	-22.7
152.9	**Balance on 31 March**	**144.2**

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.

2015/16 £ m	Movement in the capital reserves and accounts - Capital Adjustment Account	2016/17 £ m
840.0	Balance on 1 April	834.5
1.5	Opening balance adjustments	3.7
4.3	Revaluation decrease	-11.5
0.0	Depreciation adjustment to Revaluation Reserve	6.0
-17.3	Value of asset disposals	-17.2
-15.1	Transfer of spending on assets we do not own	-12.6
-22.8	Transfers to and from the revenue account	-19.2
43.9	Money used to buy assets	56.4
834.5	**Balance on 31 March**	**840.1**

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 2016/17.

31 March 2016 £ m	Financial Instruments Adjustment Account	31 March 2017 £ m
0.2	Balance on 1 April	0.1
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	-0.1
0.1	**Balance on 31 March**	**0.0**

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 2016 £ m	Available for Sale Financial Instruments Reserve	31 March 2017 £ m
2.6	Balance on 1 April	2.1
-0.7	Unrealised gains/losses on financial assets not charged to the surplus/deficit on the provision of services	1.2
0.2	Movement in valuation of investments not charged to Surplus/Deficit on the provision of services	1.8
2.1	**Balance on 31 March**	**5.1**

Accumulated Absences Account

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

31 March 2016 £ m		Movement in Accumulated Absences Account	31 March 2017 £ m	
	-6.5	Balance at 1 April		-2.1
6.5		Settlement or cancellation of accrual made at the end of the preceding year	2.1	
-2.1		Amounts accrued at the end of the current year	-7.0	
	4.4	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-4.9
	-2.1	**Balance at 31 March**		**-7.0**

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 2016 £ m	Movement in Collection Fund Adjustment Account	31 March 2017 £ m
1.4	Balance at start of year	0.9
-0.1	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-0.8
-0.4	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	2.5
0.9	**Balance at end of year**	**2.6**

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 2016 £ m	Pensions Reserve - All Schemes	On 31 March 2017 £ m
-827.4	Balance as 1 April	-681.4
174.5	Remeasurements of net defined (liability)/asset	-94.3
-72.5	Reversal of net charges made for retirement benefits in accordance with IAS 19	-72.4
38.9	Employer's pension contributions and direct payments to pensioners payable in the year	40.8
5.1	Grant funding of fire-fighters pensions liabilities	5.6
-681.4	**Balance at 31 March**	**-801.8**

Table may not sum due to roundings

Note 21: Cash Flow Statement – operating activities

31 March 2016 £ m	Cash flows from operating activities	31 March 2017 £ m
	Cash Inflows from operating activities:-	
229.4	~ Council tax receipts	243.9
59.2	~ Business rates receipts	58.5
56.1	~ Revenue Support Grant	37.5
323.1	~ other Government grants (Note 24)	331.3
90.5	~ cash received for goods and services	106.1
3.2	~ interest received (cash received)	2.9
	Cash Outflows from operating activities:-	
-334.0	~ cash paid to and on behalf of employees	-352.4
-388.7	~ other operating cash payments	-381.0
-18.6	~ interest paid	-18.0
20.2	**Total net cash flows from operating activities**	**28.8**

Note 22: Cash Flow Statement – investing activities

31 March 2016 £ m	Cash flows from investing activities	31 March 2017 £ m
-75.6	Purchase of property,plant and equipment, investment property and intangible assets	-71.6
35.9	Proceeds or purchase (-) of short-term and long-term investments	9.8
0.2	Other receipts or payments (-) for investing activities	0.7
1.9	Proceeds from the sale of property, planty and equipment, investment property and intangible assets	2.9
43.8	Other receipts from investing activities - capital grants	47.9
6.2	**Net cash flows from investing activities**	**-10.3**

Note 23: Cash Flow Statement – financing activities

31 March 2016 £ m	Cash flows from financing activities	31 March 2017 £ m
-5.1	Repayments of short and long term borrowing	-25.0
0.0	Cash payments for the reduction of outstanding liabilities in relation to finance leases	0.0
-5.1	**Net cash flows from financing activities**	**-25.0**

Note 24: Grant Income

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

Actual income 2015/16 £ m	Grant income	Awarding department	Actual income 2016/17 £ m
	Revenue grants credited to Services (cash received in the year):		
239.0	Dedicated Schools Grant	DfE	239.6
11.1	Pupil Premium Grant	DfE	10.5
0.7	Music Grant/Music Education Hub	DfE	0.7
0.4	Fire Transformation Fund	CLG	0.0
6.7	Sixth Form Funding	ESFA	5.9
2.0	Other Schools Grants	Various	2.4
1.6	Asylum seekers	HO	2.6
21.4	Public Health Grant	DH	24.2
0.2	Delayed Transfer of Care	DH	0.0
5.1	Universal Infant Free School Meals	ESFA	5.1
1.6	Adult & Community Leaning	ESFA	1.5
0.1	Stratford Parkway Grant	DfT	0.0
0.7	Bus Service Operators Grant	DfT	0.7
12.0	Better Care Fund	CCGs	12.3
0.9	Other revenue grants	Various	1.0
303.5	**Total revenue grants**		**306.5**
	Capital grants and contributions credited to services:		
1.9	Disabled Facilities Grant	DH	3.5
0.1	Environment Agency	ENV	1.7
0.0	Public Health Grant	DH	0.5
0.9	Contribution from other local authorities	Various	0.2
0.7	Private developer funding	Various	0.1
0.2	Other grants/contributions	Various	3.2
3.8	**Total capital grants and contributions**		**9.2**
307.3	**Total**		**315.7**

We have received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

Actual income 2015/16 £ m	Grant income	Awarding department	Actual income 2016/17 £ m
	Credited to Taxation and Non Specific Grant Income- cash received in the year:		
1.7	Business Rates Retention/Compensation Scheme	CLG	1.5
0.0	Transition Grant	CLG	3.0
5.2	Education Services Grant	ESFA	3.6
0.3	Special Educational Needs and Disability Grant	DfE	0.6
0.3	Local Services Support Grant	CLG	0.2
3.1	Care Act Implementation Grant	CLG	0.0
2.3	New Homes Bonus	CLG	3.0
1.5	Indepndent Living Fund Grant	CLG	1.9
0.8	Tackling Troubled Families	CLG	1.1
0.0	Local Reform and Community Voices	DH	0.3
0.6	Other Grants	Various	0.4
15.8	**Total revenue grants**		**15.6**
	Capital grants and contributions:		
1.0	Devolved Formula Capital	DfE	2.5
8.4	Schools Maintenance and Basic Need	DfE	12.8
0.1	Contribution from Diocesan Schools	Various	0.1
0.0	Network Rail	DfT	0.8
0.2	Fire Capital Grant	CLG	1.1
15.6	Local Transport Plan & other transport grants	mainly DFT	16.6
1.2	Better Care Grant	DH	0.0
0.8	Contribution from other local authorities	Various	2.6
6.8	Private developer funding	Various	12.0
0.9	Other grants/contributions	Various	0.0
35.0	**Total capital grants**		**48.5**
50.8	**Total**		**64.1**

The balances at year end are as follows:

31 March 2016 £ m	Grant receipts in advance	Awarding department	31 March 2017 £ m
	Revenue grant receipts in advance		
0.1	Delayed Transfer of Care	DH	0.0
0.1	Other grants	Various	0.2
0.2	**Total revenue grants**		**0.2**
	Capital grant receipts in advance		
1.8	Devolved Formula Capital	DfE	1.5
0.2	Network Rail	DfT	0.3
0.2	Grant from Other Local Authorities	Various	0.0
1.2	Fire Grants	CLG	0.0
2.0	Environment Agency	ENV	0.5
0.0	Early Years and Sure Start Capital Grant	DfE	0.7
18.4	Private developer funding and capital receipt deposits	Various	19.9
23.8	**Total capital grants**		**22.9**
24.0	**Total**		**23.1**

Awarding departments
CLG is the Department for Communities and Local Government
CCG's are the Clinical Commissioning Groups in Warwickshire
DfE is the Department for Education
DfT is the Department for Transport
DH is the Department of Health
ESFA is the Education and Skills Funding Agency
ENV is the Environment Agency
HO is the Home Office

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

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

- Amendment to the reporting of pension fund scheme transaction costs
- Amendment to the reporting of investment concentration.

We are not required to adopt these standards under the Code of Practice on Local Authority Accounting 2016/17 and it is not expected that the implementation of these standards will have a material effect on our financial statements when implemented.

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 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £4.8 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 £148 million. See table on Page 74 for further examples. During 2016/17, our actuaries advised that the net pensions' liability has increased by £120.4 million mainly as a result of a large actuarial loss.
Fair Value	It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs). For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date and for level 3 inputs we use the most recent valuations. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. Where Level 1 inputs are not available, we use our internal RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value.	We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale under IFRS 13. The unobservable inputs used in the fair value measurement include assumptions regarding rent growth and occupancy levels. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

Note 27: Authorisation for issue

These accounts have taken into account all known events up to XX September 2017. 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, 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.

2015/16 £ m	Capital financing requirement (IFRS)	2016/17 £ m
305.4	Opening requirement	319.4
	Capital investment	
68.9	- Property,plant & equipment	70.8
0.0	- Heritage assets	0.1
0.1	- Intangible assets	0.0
1.7	- Investment property	0.1
15.1	- Revenue spending from capital under statute	12.6
85.7	**Total capital investment**	**83.6**
	Sources of finance	
-2.4	- Capital receipts	-2.8
-43.9	- Government grants and other contributions	-56.4
	- Sums set aside from revenue:	
-10.3	- Direct revenue contributions	-11.3
-15.0	- MRP/loans fund principal	-15.7
-71.7	**Total sources of income**	**-86.3**
319.4	**Closing capital financing requirement**	**316.7**

Table may not sum due to roundings

2015/16 £ m	Explanation of movements in the year	2016/17 £ m
14.0	Change in underlying need to borrow	-2.7
14.0	**Increase/decrease(-) in Capital Financing Requirement**	**-2.7**

For details of our funding for capital see the narrative report on page 11.

Note 29: Critical judgements in applying accounting policies

In applying the accounting policies set out on pages 25 to 31, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts. In accordance with the Code we include them in our single entity accounts and we do not have to prepare separate group accounts. Details of the value and number of each type of school included in our accounts is shown at note 9 on page 44.

- 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 79. These were not material for us and we have not prepared group accounts on this basis.

Note 30: Dedicated Schools' Grant

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

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The DSG figure is as confirmed by the Department for Education in March 2017. The 2016/17 early years adjustment has yet to be announced.

We confirm that the Dedicated Schools' Grant received in 2016/17 was £239.6 million (made under section 14 of the Education Act 2002). It has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45A, 45AA, 47, 47ZA, 47A, 48, 49 and 138(7) of, and paragraph 2(B) of schedule 14 to, the Schools Standards and Framework Act 1998 and section 24(3) of the Education Act 2002.

		2016/17		
2015/16 Total £ m		**Central Spending £ m**	**Individual schools budget (ISB) £ m**	**Total £ m**
375.5	Final DSG for the year before Academy recoupment	68.0	312.4	380.4
-136.5	Less Academy recouped for the year	0.0	-140.9	-140.9
239.0	Total DSG after Academy recoupment for the year and agreed initial budget distribution in the year.	68.0	171.5	239.5
-0.2	In year Adjustments	0.0	0.1	0.1
238.8	Final budgeted DSG distribution for the year	68.0	171.6	239.6
-68.2	Actual central spending for the year	-68.9	0.0	-68.9
-172.8	Actual ISB deployed to schools	0.0	-171.6	-171.6
2.2	Our contribution in the year	0.9	-0.0	0.9
-0.0	**Under spend for the year (carried forward)**	**0.0**	**-0.0**	**-0.0**

Note 31: Events after the Balance Sheet date

Academies

As a result of the Government's white paper 'The Importance of Teaching', which allows Schools to opt out of local government control by becoming academies, one Warwickshire school chose to take up the new academy status in 2016/17 and a further eighteen Warwickshire schools are anticipated to also convert to academy status in 2017/18 and beyond. Ten community schools, seven voluntary controlled or voluntary aided schools and one foundation school have applied to the Department for Education to convert to academy status after 1 April 2017. This is based on information as at 14th August 2017.

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 2017 will be in the region of £117.4 million.

Note 32: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2015/16) 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 2016 £ m	Operating lease period	31 March 2017 £ m
1.4	Not later than 1 year	1.5
4.2	Later than 1 year and not later than 5 years	4.1
9.6	Later than 5 years	9.3
15.2	**Total**	**14.9**

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 2016/17 £0.1 million (£0.1 million in 2015/16) contingent rents were receivable by the authority.

Note 34: Contingent assets

We currently have no contingent assets.

Note 35: Contingent liabilities

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

We have an ongoing dispute with a civil engineering contractor.

Note 36: Members' allowances

Elected members were paid a total of £0.838 million (£0.815million in 2015/16) in allowances and expenses. In addition we paid independent and co-opted members allowances and expenses of £0.021 million (£0.020 million in 2015/16). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2016/17 are available on our website www.warwickshire.gov.uk. Payments to elected Members included expenses for the Police and Crime Panel which are reimbursed by the Home Office.

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 2016 £ m	Loans we have not yet repaid	On 31 March 2017 £ m
	We owe money to:	
378.4	~ Public Works Loans Board	353.4
378.4	**Total**	**353.4**
	When we will pay the money back	
25.0	Less than 1 year	1.1
1.1	Between 1 and 2 years	0.0
30.0	Between 2 and 5 years	30.0
322.3	More than 10 years	322.3
378.4	**Total**	**353.4**

Our level of borrowing is mainly due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2016/17 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 2017, 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 million (£0.040 million in 2015/16)
- A decrease in fair value of fixed borrowing of £89.3 million (£78.9 million in 2015/16).

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 £2.2 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 2016/17 this amounted to a gain of £1.8 million. We also have a number of investment holdings where any movements in their values are not realised until they are disposed of. This year we have disposed of some holding generating a realised gain of £0.6 million as shown in note 5 on page 39. 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 2017 we recognised a total unrealised gain of £1.2 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.

2015/16 Restated		Remuneration	2016/17					
Staff (revised total)			Staff		Staff Left in the Year		Revised Total	
Teaching	Other		Teaching	Other	Teaching	Other	Teaching	Other
79	65	£50,000 - £54,999	78	60	0	3	78	58
56	36	£55,000 - £59,999	55	38	1	2	54	38
31	10	£60,000 - £64,999	29	15	0	2	29	13
16	4	£65,000 - £69,999	22	11	0	2	22	9
13	18	£70,000 - £74,999	13	6	0	0	13	6
5	4	£75,000 - £79,999	5	15	0	0	5	15
4	2	£80,000 - £84,999	3	2	0	1	3	2
2	9	£85,000 - £89,999	3	2	0	0	3	2
1	1	£90,000 - £94,999	0	4	0	0	0	4
0	3	£95,000 - £99,999	0	2	0	0	0	2
0	0	£100,000 - £104,999	0	4	0	1	0	3
1	0	£105,000 - £109,999	0	0	0	0	0	0
0	0	£110,000 - £114,999	1	1	0	0	1	1
0	0	£115,000 - £119,999	0	0	0	0	0	0
0	0	£120,000 - £124,999	0	0	0	0	0	0
1	0	£125,000 - £129,999	0	0	0	0	0	0
0	0	£130,000 - £134,999	1	0	0	0	1	0
209	**152**		**210**	**160**	**1**	**11**	**209**	**153**

Restated for Head of Education and Learning (Chief Education Officer) who has been moved from the table above to the Senior Officer Table.
The above figures exclude payments for two Heads of Service paid to agencies in the year (one in 2015/16).

A number of employees left during 2016/17, incurring costs of £2.5 million (£2.3 million in 2015/16). None of this relates to senior staff. This cost includes officers who have left as part of on-going savings and efficiency plans. See table below for details.

Exit Package Cost Band (including Special Payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band £ millions	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	12	11	69	86	81	97	0.512	0.596
£20,001 - £40,000	10	5	18	16	28	21	0.859	0.587
£40,001 - £60,000	0	1	8	12	8	13	0.383	0.587
£60,001 - £80,000	0	0	2	3	2	3	0.141	0.207
£80,001 - £100,000	2	0	0	1	2	1	0.170	0.082
£100,001 - £150,000	0	0	0	2	0	2	0.000	0.257
£150,001 - £200,000	1	0	0	0	1	0	0.195	0.000
£200,001 - £250,000	0	0	0	1	0	1	0.000	0.207
	25	**17**	**97**	**121**	**122**	**138**	**2.260**	**2.523**

This is staff that have left the authority in the year. In addition we are required to account for the termination costs for staff that have signed an agreement to leave the authority which cannot be cancelled but who do not leave until after the 31 March, as a provision charged in the Comprehensive Income and Expenditure Account. These will be included in the above note in the year in which they leave the authority.

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 (Note 1)	2015/16	172,866	0	0	172,866	30,252	203,118
	2016/17	148,171	0	0	148,171	27,041	175,212
Strategic Director, People Group (Note 2)	2015/16						
	2015/16						
Chief Fire Officer	2015/16	121,357	0	0	121,357	26,334	147,691
	2016/17	122,264	0	0	122,264	26,531	148,795
Strategic Director, Communities (Note3)	2015/16	128,935	0	0	128,935	22,564	151,499
	2016/17	141,269	0	0	141,269	25,782	167,051
Strategic Director, Resources (Note 4)	2015/16	128,935	0	0	128,935	0	128,935
	2016/17	141,269	0	0	141,269	0	141,269
Head of Public Health - Dr John Linnane (Note 5)	2015/16	154,952	0	0	154,952	22,158	177,110
	2016/17	160,077	797	0	160,874	22,891	183,765
Head of Finance (Section 151 Officer)	2015/16	102,526	0	0	102,526	17,942	120,468
	2016/17	106,427	0	0	106,427	19,423	125,850
Head of Education & Leaning (Chief Educaion Offier)	2015/16	86,572	0	0	86,572	15,150	101,722
(Note 6)	2016/17	89,954	0	0	89,954	16,417	106,371
Total 2015/2016		**896,143**	**0**	**0**	**896,143**	**134,400**	**1,030,543**
Total 2016/2017		**909,431**	**797**	**0**	**910,228**	**138,085**	**1,048,313**

Note 1: The Chief Executive who was the Head of Paid Service and the Returning Officer left the authority on 3 February 2017. His annualised salary for 2016/17 was £172,866.

Note 2: Payments to the Interim Strategic Director, People Group were via an Agency and for the period 1 April 2016 to 31 March 2017 payments were £312,064 (£257,990 in 2015/16). Strategic Director People Group holds the posts of Director of Children's Service and Director of Adult Social Services

Note 3: Strategic Director Communities took on the role of Joint Managing Director from 6 February 2017

Note 4: Strategic Director Resources took on the role of Joint Managing Director from 6 February 2017. This includes the role of Head of Paid Service and Returning Officer.

Note 5: The standard salary for the Head of Public Health is £100,053. 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 6: The Head of Education and Learning (Chief Education Officer) was seconded to the Department for Education from 1 October 2016. The full salary for the year is shown above as he remained a county council employee although his costs were reimbursed. A new Head of Education and Learning joined the authority on an interim basis from 1 October 2016. Payment via an agency for the period November 2016 to March 2017 was £61,675.

Note 39: Pension schemes

IAS 19 Accounting for pension costs: local authorities

This note provides the information we must give under IAS 19. The purpose of IAS19 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The movement in reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets and changes in expected liabilities for the LGPS, the Firefighters' Pension Scheme, the Firefighters' Injury Awards Scheme and the Discretionary Teachers' Scheme. This note applies as well as note 20 on reserves on page 51.

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 74 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 22) sets out the actuarial gains and losses made in 2016/17.

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 2016 £m	31 March 2017 £m	Increase/decrease (-) in net liability £m
LGPS	377.0	449.8	72.8
Teachers Discretionary	47.8	51.6	3.8
Firefighters	232.3	277.9	45.6
Firefighters Injury	24.3	22.5	-1.8
All schemes	**681.4**	**801.8**	**120.4**

A table analysing the change in the present value of pension scheme liabilities is on page 75.

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 76 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 2017, we used a rate based on the current rate of return on a corporate bond and for a length of time that matched the scheme's liabilities. The actuary has advised that the rates shown below are appropriate and has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, as shown in the table below.

Pension Scheme	2015/16 Rate of Return %	2016/17 Rate of Return %
Teachers	1.3% real (3.5% actual)	0.2% real (2.6% actual)
Fire-fighters	1.3% real (3.5% actual)	0.2% real (2.6% actual)
Fire-fighters injury awards	1.3% real (3.5% actual)	0.2% real (2.6% actual)
LPGS	1.3% real (3.5% actual)	0.2% real (2.6% actual)

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

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

There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2016/17, teachers paid between 7.4% and 11.7% of their salary (between 7.4% and 11.7% in 2015/16) and we paid 16.48% of teachers' salaries (14.5% to 31 August 2015 and 16.48% between 1 September 2015 and 31 March 2016). A supplementary contribution is not needed at present. The total employers' contribution cost was £14.4 million in 2016/17 (£13.8 million in 2015/16).

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

In 2016/17 the pension payments relating to added pensionable years we have awarded came to £2.9 million (£3.0 million in 2015/16) and represented 3.3% (3.3% in 2015/16) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2016/17, these retirement costs were £0 (nil in 2015/16).

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 2016/17 are between 11.0% and 17.0%/8.5% and 12.5%/10.0% and 14.5% (employees 1992 scheme / 2006 scheme / 2015 scheme) and

21.7%/11.9%/14.3% (employers 1992 scheme / 2006 scheme / 2015 scheme) of firefighters' pay. In 2016/17, pension payments totalled £6.0 million (£5.8 million in 2015/16) and this was 37% (43% in 2015/16) of pensionable pay. We must pay any costs relating to early retirement. The costs totalled £1.9 million in 2016/17 (£0.1 million in 2015/16).

The estimated employer's contributions for Fire Fighters pension for the period to 31st March 2018 will be approximately £12.9 million.

The table on page 70 reflects our actuaries opinion on the life expectancy of people once they have retired.

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

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

We value liabilities at their present cost.

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

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

In 2016/17 we paid £0.248 million (£0.261 million in 2015/16) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees contributions, of which £0.021 million (£0.021 in 2015/16) was outstanding at the year end. Our contribution represents 14.3% of pensionable pay (14.3% in 2015/16).

Local Government Pension Scheme - other employees
We operate a funded, defined-benefit pension scheme for our staff, under the Local Government Pensions Scheme Regulations 2013. We manage the scheme for ourselves, the five district councils and a number of other organisations. We prepare the accounts in line with the CIPFA Code of Practice and they are separate from our financial statements.

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

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

The valuation at 31 March 2013 set the rate payable for 2016/17 at 18.25% (17.5% for 2015/16). In the valuation carried out as at 31 March 2016 the funding level increased from 77% to 82%. As a result, the employers' rate is expected to increase by 0.75% per annum until 2019/20.

In 2016/17, the contribution rates were based on the results of the 31 March 2013 actuarial valuation. As a result, our employers contribution rate was 300% of the employees contribution (285% for 2015/16).

In 2016/17, we made normal employer's contributions totalling £25.3 million (£23.9 million in 2015/16).

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2016/17, these came to £1.6 million (£1.3 million in 2015/16), which was 1.2% (0.9% in 2015/16) of pensionable pay.

The estimated employer's contributions for the period to 31st March 2018 will be approximately £26.2 million.

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

31 March 2016 £ m	Local Government Pension Scheme	31 March 2017 £ m
884.4	Fair value of assets	1,040.1
-1,261.4	Present value of liabilities	-1,489.9
-377.0	**Shortfall**	**-449.8**

31 March 2016 £ m	Local Government Pension Scheme	31 March 2017 £ m
1,379.2	Assets at last valuation as at 31 March 2013/31 March 2016	1,665.1
1,665.1	Whole Fund Assets as at 31 March 2017	1,983.8

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 74.

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 Funds Vita Curves with improvements in line with the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum.

The value of the pension fund assets at 31 March 2017 is based on the market value at 31 December 2016. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the Balance Sheet date.

There were re-measurements as a result of a difference between expected and actual returns on assets which amounted to 0.25% of the value of assets at 31 March 2017.

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

31 March 2017	Quoted prices in active markets £ million	Quoted prices not in active markets £ million	Total £ million	Percentage of total assets
Equity securities:				
Consumer	121.0	0.0	121.0	12%
Manufacturing	44.2	0.0	44.2	4%
Energy and utilities	19.5	0.0	19.5	2%
Financial institutions	55.6	0.0	55.6	5%
Health and care	37.7	0.0	37.7	4%
Information technology	29.7	0.0	29.7	3%
Other	49.6	0.0	49.6	5%
Private equity:				
All	0.0	36.6	36.6	4%
Real estate:				
UK property	97.5	0.0	97.5	9%
Overseas property	0.7	0.0	0.7	0%
Investment funds and unit trusts:				
Equities	258.0	0.0	258.0	25%
Bonds	176.5	0.0	176.5	17%
Hedge funds	0.0	45.4	45.4	4%
Infrastructure	0.0	12.5	12.5	1%
Other	41.4	0.0	41.4	4%
Cash and cash equivalents	14.1	0.0	14.1	1%
Totals	**945.6**	**94.5**	**1,040.1**	**100%**

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

31 March 2016 £ m	Change in Fair Value of WCC Share of LGPS Assets	31 March 2017 £ m
872.7	Fair value of assets at the beginning of the year	884.4
-3.4	Effect of settlements	0.0
27.8	Interest Income on plan assets	30.9
-10.5	Remeasurements on assets	127.3
25.2	Employers' contributions (including receipts covering early retirements)	27.7
8.4	Member contributions	8.7
-35.8	Benefits/transfers paid	-38.9
884.4	**Fair value of assets at the end of the year**	**1,040.1**

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2017, 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 2017. 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 2017 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 2016/17.

31 March 2016				Pension scheme assumptions	31 March 2017			
LGPS	Teachers	Firefighters (Restated)	Firefighter Injury Award (Restated)		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				Financial assumptions:				
2.2%	2.2%	2.2%	2.2%	Rate of Inflation CPI	2.4%	2.4%	2.4%	2.4%
4.2%	4.2%	3.2%	3.2%	Salary Increase	3.0%	3.0%	3.4%	3.4%
2.2%	2.2%	2.2%	2.2%	Pensions increases	2.4%	2.4%	2.4%	2.4%
3.5%	3.5%	3.5%	3.5%	Rate of discount	2.6%	2.6%	2.6%	2.6%
				Life expectancy assumptions:				
22.4 (24.4)	22.4 (24.4)	22.4 (24.4)	22.4 (24.4)	A male (female) current pensioner aged 65	22.5 (24.7)	22.5 (24.7)	25.2 (26.7)	25.2 (26.7)
24.3 (26.6)	24.3 (26.6)	24.3 (26.6)	24.3 (26.6)	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.7)	24.3 (26.7)	26.6 (28.2)	26.6 (28.2)
				Commutation of pension for lump sum at retirement:				
75.0%	n/a	90.0%	90.0%	~ 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 2017	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.5% decrease in real discount rate	10%	148.5
1 year increase in member life expectancy	3%	44.7
0.5% increase in the salary increase rate	2%	22.4
0.5% increase in the pension increase rate	8%	123.9

31 March 2016				Change in present value of pension scheme liabilities during the year	31 March 2017			
LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million		LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million
1,358.9	53.5	259.6	28.1	Benefit obligation at the beginning of the year	1,261.4	47.8	232.3	24.3
39.2	0.0	4.3	0.5	Current service costs	34.3	0.0	4.1	0.4
-9.6	0.0	0.0	0.0	Effect of Settlements	0.0	0.0	0.0	0.0
43.4	1.6	8.2	0.9	Interest on pensions liabilities	44.2	1.6	8.1	0.8
8.4	0.0	1.2	0.0	Member contributions	8.7	0.0	1.1	0.0
0.3	0.0	0.0	0.0	Past service costs (gain)	1.3	0.0	0.3	0.0
-35.8	-3.2	-8.2	-0.6	Benefits/transfers paid	-39.0	-3.1	-7.8	-0.6
-143.4	-4.1	-32.8	-4.6	Remeasurements on liabilities	179.0	6.4	39.8	-2.4
0.0	0.0	0.0	0.0	Changes in assumptions	0.0	-1.1	0.0	0.0
1,261.4	**47.8**	**232.3**	**24.3**	**Present value of liabilities at the end of the year**	**1,489.9**	**51.6**	**277.9**	**22.5**

31 March 2016 (restated)					Pension scheme accounting	31 March 2017				
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:					
39.2	0.0	4.3	0.5	44.0	Current service cost	34.3	n/a	4.1	0.4	38.8
0.3	0.0	0.0	0.0	0.3	Past service cost and curtailments	1.3	n/a	0.3	n/a	1.6
-6.1	0.0	0.0	0.0	-6.1	Effects of Settlement	n/a	n/a	n/a	n/a	0.0
43.4	1.7	8.2	0.9	54.2	Interest cost	44.2	1.6	8.1	0.9	54.8
-27.8	0.0	0.0	0.0	-27.8	Interest income on plan assets	-30.9	n/a	n/a	n/a	-30.9
49.0	**1.7**	**12.5**	**1.4**	**64.6**	**Net charge to CIES**	**48.9**	**1.6**	**12.5**	**1.3**	**64.3**
					Contribution from Pensions Reserve:					
109.2	5.7	27.3	3.8	146.0	Movement on the Pensions Reserve	-72.8	-3.8	-45.6	1.8	-120.4
-133.0	-4.1	-32.8	-4.6	-174.5	Re-measurements recognised in CIES	51.6	5.3	39.9	-2.5	94.3
n/a	n/a	-5.1	n/a	-5.1	Funded by Government top up grant	n/a	n/a	-5.6	n/a	-5.6
-23.8	**1.6**	**-10.6**	**-0.8**	**-33.6**	**Contribution (from) Pensions Reserve**	**-21.2**	**1.5**	**-11.3**	**-0.7**	**-31.7**
					Actual amount charged against council tax:					
25.3	n/a	1.6	n/a	26.9	Employers contributions & ill-health contributions	27.8	n/a	1.5	n/a	29.3
25.3	**n/a**	**1.6**	**n/a**	**26.9**	**Amount charged against council tax**	**27.8**	**n/a**	**1.5**	**n/a**	**29.3**
					Amount funded by government top up grant					
n/a	n/a	8.2	n/a	8.2	Retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	7.8	n/a	7.8
n/a	n/a	-0.3	n/a	-0.3	Retirement Benefits paid directly by Government Top Up Grant	n/a	n/a	0.4	n/a	0.4
n/a	n/a	-1.2	n/a	-1.2	Employee contributions	n/a	n/a	-1.1	n/a	-1.1
n/a	n/a	-1.6	n/a	-1.6	Employers contributions & ill-health contributions	n/a	n/a	-1.5	n/a	-1.5
n/a	**n/a**	**5.1**	**n/a**	**5.1**	**Government top up grant receivable**	**n/a**	**n/a**	**5.6**	**n/a**	**5.6**
					Movement in Reserves Statement					
-49.1	-1.6	-20.4	-1.4	-72.5	Reversal of net charges made for retirement benefits in accordance with IAS 19	-49.0	-1.6	-20.6	-1.3	-72.4
25.3	0.0	1.6	0.0	26.9	Employers contributions & ill health contributions	27.8	n/a	1.5	n/a	29.3
0.0	3.2	8.2	0.6	12.0	Retirement benefits paid or due to be paid to pensioners and transfers out	n/a	3.1	7.8	0.6	11.5
-23.8	**1.6**	**-10.6**	**-0.8**	**-33.6**	**Movement in Reserves Statement**	**-21.2**	**1.5**	**-11.3**	**-0.7**	**-31.7**

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

	31 March 2014 £ m	31 March 2015 £ m	31 March 2016 £ m	31 March 2017 £ m
Fair value of LGPS assets	782.9	872.7	884.4	1,040.1
Present Value of Liabilities:-				
~ Local Government Pension Scheme	-1,155.7	-1,358.9	-1,261.4	-1,489.9
~ Teachers Pension Scheme	-50.9	-53.5	-47.8	-51.6
~ Firefighters Pension Scheme	-217.4	-259.6	-232.3	-277.9
~ Firefighters Injury Awards scheme	-24.3	-28.1	-24.3	-22.5
Total present value of liabilities	**-1,448.3**	**-1,700.1**	**-1,565.8**	**-1,841.9**
~ Local Government Pension Scheme surplus/(deficit)	-372.8	-486.2	-377.0	-449.8
Total surplus/deficit	**-665.4**	**-827.4**	**-681.4**	**-801.8**

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. The total liability of £1,841.9 million has a substantial effect on our net worth as recorded in the Balance Sheet, resulting in an overall balance of £801.8 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**
2013/14	9.3	1.2	-29.2	2.5	40.5	3.5	20.7
2014/15	67.3	7.7	-180.3	-13.3	9.4	0.7	-103.6
2015/16	-10.497	-1.2	126.124	10.0	17.328	1.4	133.0
2016/17	127.3	12.2	-208.6	-15.4	29.7	2.2	-51.6
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-1.6**

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**
2013/14	0.0	0.0	-0.6	1.2	-0.7	1.4	-1.3
2014/15	0.0	0.0	-3.8	-7.1	0.1	0.0	-3.7
2015/16	0.0	0.0	2.6	5.4	1.6	1.5	4.1
2016/17	0.0	0.0	-5.0	-9.6	-0.3	-0.6	-5.3
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-6.2**

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
2013/14	0.0	0.0	9.6	4.4	5.4	2.5	15.0
2014/15	0.0	0.0	-42.5	-16.4	8.0	3.1	-34.5
2015/16	0.0	0.0	22.8	9.8	10.0	4.3	32.8
2016/17	0.0	0.0	-45.4	-19.6	5.6	2.2	-39.8
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-26.5**

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
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	2.0	-3.0
2015/16	0.0	0.0	2.4	9.9	2.2	7.8	4.6
2016/17	0.0	0.0	-4.7	-16.7	7.1	25.3	2.4
Total cumulative actuarial gains and losses (remeasurements recognised in CIES)							**-2.3**

Note 40: PFI and other long term contracts

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

Note 41: Pooled budgets with health

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

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

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

Agreements for the financial years starting on 1 April 2015 have been agreed with us and the other partners in the arrangement – the three Clinical Commissioning Groups (CCG's) in Warwickshire. The agreements have been reviewed and annual contributions agreed by the Better Together Programme Board before the commencement of each financial year thereafter. As the host authority we are responsible for arranging for the formal audit of the pooled funds under The Local Audit and Accountability Act 2014. The agreement sets out the basis of the governance arrangements and reporting requirements to both the Better Together Programme Board and the Health & Wellbeing Board. The five core schemes are community resilience, integrated care, care at home, accommodation with care and cross cutting work. Part of the Care at Home element, for Integrated Community Equipment Service (ICES) is subject to its own Section 75 agreement.

The total pooled budget arrangement for 2016/17 is £37.4 million of which £33.9 million is revenue and £3.5 million is capital funding. The £3.5 million capital funding for the Disabled facilities was paid to us by the Department for Communities and Local Government (DCLG). Of the revenue element £21.4 million has been paid to the CCG's for them to commission services and of that £3.5 million has been passed back to the authority as part of a separate S75 ICES agreement. The remaining £12.5 million revenue funding was allocated to the council for commissioning services in accordance with the agreement. The agreements are subject in the main to terms and conditions which result in overspends and underspends remaining with the relevant commissioning body.

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

2015/16 surplus	Pooled budgets with health	2016/17			
		Our contribution	Total pool	Total spend	Surplus(-)/ Deficit
£ m		£ m	£ m	£ m	£ m
	Better Care Fund Pooled Budget - S75				
-0.6	- Integrated community-equipment service (ICES)	1.8	5.3	4.6	-0.6
0.0	- Better Care Fund - Revenue Non ICES	10.6	28.6	29.2	0.6
0.0	- Disabled Facilities Capital Grant	0.0	3.5	2.7	-0.8
-0.6	**Total**	**12.5**	**37.4**	**36.6**	**-0.8**

Table may not sum due to roundings

The surplus on Integrated Community-Equipment Services pool from previous years has been paid to the CCGs (Clinical Commissioning Groups).

The surplus at the end of the year on the Integrated Community-Equipment of £0.6 million, belongs to the CCGs (Clinical Commissioning Groups).

The deficit at the end of the year on the Better Care Fund of £0.6 million, belongs to the CCGs (Clinical Commissioning Groups).

The surplus at the end of the year on the Disabled Facilities of £0.8 million, belongs to the District and Borough Councils of Warwickshire.

Note 42: Coventry and Warwickshire Business Rates Pool

The Coventry and Warwickshire Business Rates Pool was created on the 1 April 2013 with seven member authorities: Warwickshire County Council, the five Borough / District Councils within Warwickshire and Coventry City Council. Warwickshire County Council is the lead authority for the pool and there is an agreed memorandum of understanding in place that determines how the Pool's resources are allocated. Under the agreement any surplus generated by the pool, will be shared between pool members. We have accounted for our share of the current surplus in the Comprehensive Income and Expenditure Account and the full pool surplus is held in our reserves until such times as it is distributed (see note 21).

Note 43: Related parties and associated parties

Central Government

Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 24. Details of the balances with central government departments are shown in notes 14 and 17. Pooled budget arrangements with the Department of Health via Clinical Commissioning Groups (CCGs) are shown in note 41.

Elected Members

Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2016/17 is shown in note 36 on page 59. During 2016/17 works and services to the value of £31.5 million were paid to companies in which elected members had an interest (this includes £11.7 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 2016/17 no payments were made to organisations in which senior officers or members of their families had declared an interest.

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

Other Public Bodies

At the end of the year we owed £17.0 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 £20.4 million including £4.1 million from Her Majesty's Revenue and Customs (VAT).

We charged the Warwickshire County Council Pension Fund £0.8 million for carrying out the administration work for the fund (not including payroll-processing costs). For more information please refer to the Pension Fund Annual Report 2016/17 which is available on our website.

Other Entities

We hold shares in the following companies:

Company	WCC Share holding	Directors
University of Warwick Science Park Innovation Centre Limited	19.9% of ordinary share capital. 1/6 voting rights £1,502,500 preference share	One of six directors is appointed by us
Warwick Technology Park Management Company Limited	4.8% of called up share capital	One officer and one elected member as directors
Warwick Technology Park Management Company (No 2) Limited	0.2% of called up Share capital	One officer and one elected member as directors.
Eastern Shire Purchasing Organisation (ESPO)		Two elected members from each authority on Management Committee
SCAPE System Build Limited	16.7% of the called up share capital	One of the six directors is appointed by us
Coventry and Warwickshire Local Enterprise Partnership Limited	No share capital and liability limited to £1.	Two type 'B' (public sector) directors to be appointed by us
Coventry and Warwickshire Waste Disposal Company	1 ordinary share I representative on shareholder panel with 1% voting rights and 24% voting rights for matters relating to WCC SLA agreement	No right to appoint to board of Directors. 1% proxy vote unless WCC SLA related.
UK Municipal Bond Agency Plc	120,000 fully paid B shares of £0.01 each 180,000 ordinary shares of £0.01 each	No Directors appointed by WCC

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

In 2016/17 we paid ESPO £1.2 million for goods and services (£1.6 million in 2015/16). The total amount of invoiced sales for ESPO-managed contracts in 2015/16 was £88.5 million (£93.4 million in 2014/15). Under the terms of the partnership agreement, if ESPO stopped trading we would be liable for any net liabilities or to receive a share of the net assets based either on the average of our last three years' purchases compared to our other five partners, or a one-sixth share. We are also entitled to a share of the profits. We received £0.4million in 2016/17 (£0.2 million in 2015/16).

We also received dividends from SCAPE Group Limited and University of Warwick Science Park companies totalling £0.3 million (nil in 2015/16).

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

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

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

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

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

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

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

We are also a partner in a special company, Pride in Camp Hill Ltd – for details see note 35 on page 62.

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2016/17.

Note 44: Trading accounts

Our trading activities 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 2016/17 for our significant trading activities was £48.4 million (£46.6 million in 2015/16) which included £34.7 million of internal income recharged to services (£33.2 million in 2015/16).

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 £0.6 million (£1.3 million in 2015/16).

2015/16	Memo	Trading activity	2016/17				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
0.1	-0.2	County caterers	11.6	2.8	-2.6	0.2	0.0
0.0	-0.1	Schools finance	1.1	0.0	-0.1	-0.1	-0.1
0.0	0.0	Construction services	7.0	1.8	-1.8	0.0	-0.1
-0.1	0.0	County fleet maintenance	3.5	0.8	-0.9	-0.1	-0.1
0.0	-0.1	Design services	3.7	0.2	-0.3	-0.1	-0.2
0.2	0.0	Legal services	4.7	1.2	-1.4	-0.2	-0.3
0.6	0.4	ICT services	3.9	1.2	-1.0	0.2	0.1
-0.1	-0.1	County Music Service	1.7	0.6	-0.7	-0.1	-0.1
-0.1	-0.1	Early intervention	1.4	0.3	-0.4	-0.1	-0.1
-0.6	-0.6	School absence (sickness scheme)	2.1	-0.2	-0.2	-0.4	-0.4
0.6	0.5	Other trading accounts (turnover of less than £1m each)	7.7	4.2	-4.3	-0.1	-0.2
0.6	**-0.3**	**Total**	**48.4**	**12.9**	**-13.7**	**-0.9**	**-1.5**

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 include Payroll Services, Internal Audit and Risk Management, School Governance, County Print Unit, Archaeology, HR support, Pension Services, County Cleaning and the Education Psychology Service.

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

The Firefighters' Pension Fund

2015/16 £ 000's	Fund account	2016/17 £ 000's
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1,490	- normal contributions in relation to pensionable pay	-1,403
-120	- early retirements	-42
-12	- other contributions	0
-1,149	- from members (firefighter's contributions)	-1,097
-2,771	**Income to the fund**	**-2,542**
	Spending by the fund	
	Benefits payable:	
5,805	- Pension payments	6,019
2,081	- Commutation of pensions and lump-sum retirement benefits	1,939
0	**Payments in respect of contribution holidays (including tax to be repaid to HMRC)**	189
7,886	**Spending by the fund**	**8,147**
5,115	**Net amount payable for the year (before top-up grant receivable from Government)**	**5,605**
-5,115	Top-up grant payable by the Government	-5,605
0	**Net amount payable or receivable (-) for the year**	**0**

31 March 2016 £ 000's	Firefighters' Pension Fund net assets statement	31 March 2017 £ 000's
	Current assets:	
0	- Top-up grant receivable from Government	1,814
669	- other current assets (other than assets in the future) ~ debtor	5
	Current liabilities:	
-82	- other current liabilities (other than liabilities in the future) ~ creditor	-1,819
-587	- Top-up grant repayable to Government	0
0	**Net assets or liabilities (-) at the end of the year**	**0**

Notes to the Firefighters' Pension Fund statements

Note 1: Fund operations

The Firefighters' Pension Scheme in England is an unfunded scheme. The employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are required to pay an employer's pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The legislation that controls its operation is the Firefighters' Pension Scheme (Amendment) (England) Order 2006. The benefits payable are pensions to retired firefighters and/or widows/widowers of retired firefighters. The benefits paid and employee and employers contributions are administered through our human resources management system. The scheme has no investment assets.

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

Note 2: Accounting policies
The financial statements are accounted for on an accruals basis. We did not use any estimation techniques in preparing the statements.

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

Note 3: Liabilities
The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2017. Details of the long term pension obligations, employees and employers contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters Pension Fund are found in note 39 to the accounts on pages 64 to 74.

Note 4: Contribution levels
Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office (previously dealt with by the Department for Communities and Local Government) and are subject to triennial revaluation by the Actuary.

Note 5: AVC's and added years
Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

Note 6: Debtors and creditors
The debtors and creditors for both years are amounts due to/from central government (balance of grant due to balance the account to nil). Oher debtors and creditors for both years are the amounts due to or from Warwickshire County Council, the administering authority or tax not yet paid to HMRC. This year as we have had less grant on account from the Home Office than we have needed, so they owe us some more money. As the Fire-fighters' Pension Fund does not have its own separate bank account these additional payment has been made by the County fund and is therefore owed to the Warwickshire County Council when this money comes in from the Home Office. All amounts are due within 1 year.

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CIPFA
Chartered Institute of Public Finance and Accountancy

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

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

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

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

Council tax

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

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

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

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

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

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

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

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

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

Earmarked reserves
Money set aside for a specific purpose.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

Net book value
The value of an asset after depreciation.

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

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

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

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

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

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

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

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

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

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

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

Recharges
Charges for services that we have provided.

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

Regeneration
Breathing new life into the local economy.

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

Reserves and funds
Savings we have built up from surpluses.

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

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

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

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

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

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

Reversed out
An item of income or expenditure is taken back out.

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

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

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

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

Surplus
The remainder after taking away all expenses from income.

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

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

Annual Governance Statement

Year ended 31 March 2017

Item 6

Audit & Standards Committee

6 September 2017

Annual Governance Statement 2016/2017

Recommendation

That the Committee endorses the Annual Governance Statement for 2016/17 prior to submission to Cabinet and Council.

1.0 Key Issues

1.1 The Accounts and Audit Regulations 2015 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 the external auditor has also been positive with no changes requested.

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.

1.4 Following consideration by the Committee the AGS will be submitted to Cabinet on 7 September (outcomes arising from this meeting will be reported verbally) and to Council on 21 September.

Background papers

None

	Name	**Contact Information**
Report Author	Garry Rollason Chief Risk and Assurance Manager	garryrollason@warwickshire.gov.uk Tel: 01926 412679
Head of Service	Sarah Duxbury	01926 412090
Strategic Director	David Carter	01926 412564
Portfolio Holder	Cllr Kam Kaur	01926 632679

The report was circulated to the following members prior to publication:

Local Member(s): Not applicable
Other members: None

Draft Annual Governance Statement

Year ended 31 March 2017

Annual Governance Statement 2016/2017

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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 (2016)*. Further information is on our website: http://www.warwickshire.gov.uk/corporategovernance

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015.

2. The aim of the governance framework

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

The system of internal control is an important part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all

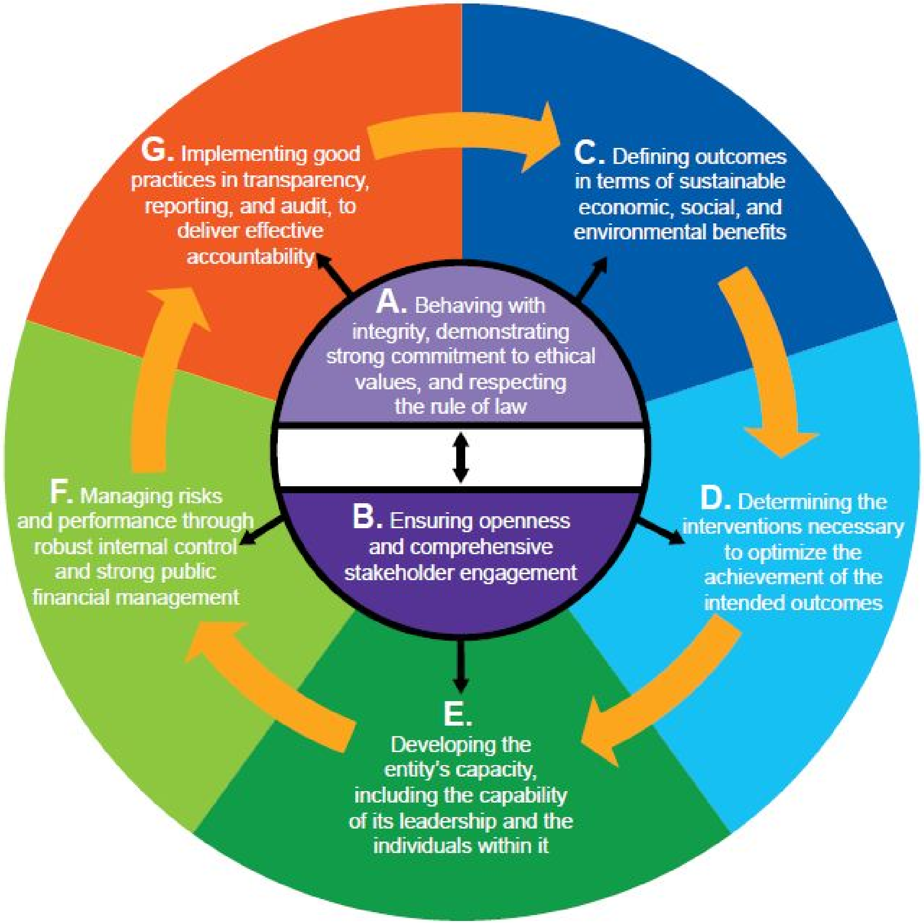

Figure 1 CIPFA's Principles of Good Governance

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 and our commitment to acting in the public interest. The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts.

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3 The Governance framework

Our Code of Corporate Governance sets out our framework for corporate governance and is aligned to the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).   A description of the arrangements which we have put in place to secure robust corporate governance are summarised below. The full detail of these arrangements can be found in the Code of Corporate Governance.

Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

As part of our governance framework we have introduced during the course of the last year six key behaviours which provide a clear framework on what behaviours we should be demonstrating on a day to day basis to support the cultural change and transformation of the organisation. The behaviours are integral to 1:1s and appraisal conversations as well as key to the way we recruit and develop our colleagues. http://www.warwickshire.gov.uk/ourbehaviours

We have arrangements in place to provide assurance that our values are being upheld and that members and officers demonstrate high standards of conduct and behaviour. These include:

Figure 2 Warwickshire's Six Key Behaviours

- codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud and whistleblowing); and
- the inclusion of ethical values in policies and procedures for all areas including procurement and partnership working. http://www.warwickshire.gov.uk/conduct

Complaints and compliments can help us improve the services we provide to all customers. We have a corporate complaints and feedback procedure to ensure that all complaints are investigated properly and are responded to as quickly as possible. http://www.warwickshire.gov.uk/complaints

We appreciate the diversity of our customers, workforce and the wider Warwickshire community and are committed to Equality and Diversity. This is integral to everything thing we do including policy development, service delivery and partnership working to ensure we meet the Public Sector Duty as set out in the Equality Act 2010 and that we do not unlawfully discriminate with services we deliver. http://www.warwickshire.gov.uk/equality

Our Constitution sets out the conditions to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law. Roles and responsibilities for individual Members, the Council, Cabinet and senior officers, along with the delegation of statutory powers and executive functions, and protocols on member / officer relations are documented. http://www.warwickshire.gov.uk/constitution

Core Principle B. Ensuring openness and comprehensive stakeholder engagement

We have a Consultation and Engagement Framework in place which 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. http://askwarks.wordpress.com/

We value the contribution from our employees and have an Employee Engagement Strategy in place which sets out how we ensure employees have a voice, managers and leaders are focusing, coaching and stretching their people and there is clear communication about where our authority is going. This is supported by the annual staff survey and pulse surveys which measure progress against actions or views on topical issues. https://www.warwickshire.gov.uk/employeeengagement

We actively contribute to and collaborate with partners to promote good governance and achieve the delivery of outcomes through increased joint working and economies of scale. 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

We are registered as a data controller under the Data Protection Act as we collect and process personal information. We have procedures in place that explains how we use and share information and arrangements for members of the public to access information. We have also adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000.
http://www.warwickshire.gov.uk/lists-data-and-information

Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

Our core purpose for the period 2014-18 was 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 provided the overarching framework for the One Organisational Plan for the period 2014-18 (OOP 2014-18) which set out our values and the desired outcomes we aimed to achieve for the people of Warwickshire over this period. http://oop.warwickshire.gov.uk/

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On 26th January 2016, Cabinet endorsed the proposal to start preparing a Corporate Plan and Medium Term Financial Plan covering the period 2017 – 2020 in response to the Local Finance Settlement and the longer term implications for the authority.

The new One Organisational Plan (OOP 2020) was approved at Full Council on 2nd February 2017 and focuses on the redesign of the organisation and the role of local government and public services going forward. It sets out our vision for Warwickshire and the journey the authority will take to deliver this vision and outcomes over the life of the plan.

Our core purpose: **'We want to make Warwickshire the best it can be'**

This is supported by two outcomes which will form the focus of our work moving forward:

- **Warwickshire's Communities and Individuals are supported to be safe, healthy and independent**
- **Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure**

Figure 3 WCC's Core Purpose and Key Outcomes (OOP-2020)

The development of OOP-2020 was informed by an extensive programme of public consultation which included press, radio and online advertising to increase public awareness and engagement. Let's Talk Roadshows at venues across the county and a web based budget simulator were used to engage with citizens and seek views on what service priorities are. http://warwickshire.gov.uk/letstalk

Our business planning is supported by the Warwickshire Observatory who provides a comprehensive assessment of a range of indicators and trends in local conditions experienced by the residents and communities of Warwickshire. The results of analysis undertaken by the Insight Service and key messages identified contribute to the evidence base supporting our decision making, policy development, creation of OOP-2020, medium term financial plan and detailed business plans. http://www.warwickshireobservatory.org

All Business Units have plans in place which correlate with the budget approved by the Council and the key outcomes contained in the One Organisational Plan. Each service plan has Key performance Indicators which are monitored and included in quarterly performance reports to Service Management Teams, Overview and Scrutiny committees and Cabinet.

Core Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The One Organisational Plan and the Council's medium term financial plan are aligned to ensure a joined up approach to delivering the organisational plan outcomes and agreed savings plans. This 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 so 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. Our outcomes framework includes the following mechanisms:

- Progress against the One Organisational Plan and the delivery of savings is reported to Overview & Scrutiny and Cabinet on a quarterly basis. This information is also available electronically via a Member Dashboard.
- A management information dashboard is in place which provides HR, finance and performance data to Strategic Directors, Heads of Service and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently, making key indicators easier to monitor.

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- Each Group has arrangements in place for reporting performance to its Group Leadership Team (GLT).
- The Project Hub, a new on-line system for monitoring and reporting progress with projects and programmes has been rolled out which improves the delivery and performance of projects and programmes delivered across the Council against corporate objectives.

Core Principle E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Our Workforce Strategy 2014-18 outlines the current and future needs of our workforce, setting out our aspirations for our workforce and how we will lead, support and develop the people within our business. The Strategy sets the overarching principles which are embedded in detailed Workforce Plans developed at Group and business unit level. This ensures that we have a fit for purpose workforce and that staff resources are deployed most effectively in the delivery of the aims and ambitions as set out in the One Organisational Plan.

To enable our employees to be the best they can be we have a corporate process for annual appraisals, supported by regular 1:1 conversations. This provides the necessary clarity on expectations and behaviour, direction, support and opportunities for growth and development and allows employees and managers to have constructive discussions on performance, progress against outcomes, wellbeing and development. During the last year we have reviewed these arrangements and from April 2017 our corporate appraisal process is aligned to the Behaviours Framework. http://www.warwickshire.gov.uk/gatewaytolearning

At the beginning of their term of office, all elected members undertake 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.

Core Principle F. Managing risks and performance through robust internal control and strong public financial management

The One Organisational Plan 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. The outcomes framework ensures that Members and Officers have a clear picture of how well the Organisation is progressing against the outcomes set out in the Plan as well as the key business outcomes that support and underpin it. These processes are continuing for the delivery of OOP-2020.

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. http://www.warwickshire.gov.uk/riskmanagementstrategy.

Financial Regulations sets out our financial management framework for ensuring we make the best use of the money we have available to spend. It outlines the financial roles and responsibilities for staff and Members and provides a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are duly complied with, as well as reflecting best professional practice and decision-making. https://www.warwickshire.gov.uk/standingorders

We have adopted the CIPFA Code of Practice for Managing the Risk of fraud and corruption and this is being built into an updated anti-fraud policy. http://www.warwickshire.gov.uk/antifraud

Core Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

We endeavour to always be open and transparent. We have a forward plan which provides information about all of the decisions that the

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Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the Council is planning to take, and the decisions taken. http://www.warwickshire.gov.uk/democracy

Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all O&S Committees are defined in the Constitution. http://www.warwickshire.gov.uk/scrutiny

The Audit and Standards Committee has oversight of internal and external audit matters, the council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity. During the last year the Committee has undertaken a self-assessment of its own effectiveness against the evaluation framework contained in the CIPFA publication Audit Committees: Practical Guidance for Local Authorities

Each year we publish information on our website outlining how we spend Council Tax income. http://www.warwickshire.gov.uk/counciltaxspending

Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards and CIPFA Statement on the Role of the Head of Internal Audit. The Chief Risk and Assurance Manager is designated as the Head of Internal Audit and 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. http://www.warwickshire.gov.uk/audit

4. Review of effectiveness

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

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from each group, Internal Audit and chaired by the Chief Risk and Assurance Manager. 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 took into account 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 Head of Law and Governance (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 2016/17 in a number of ways including:

- A review of the Council's governance framework to reflect the updated CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The revised framework was considered by

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the Audit and Standards Committee before approval by Cabinet in December 2016.

- The Audit and Standards Committee has undertaken a self-assessment of its own effectiveness against the evaluation framework contained in the CIPFA publication Audit Committees: Practical Guidance for Local Authorities, and has identified a number of areas where the Committee can strengthen its own effectiveness.
- We have undertaken reviews of our whistleblowing and anti-fraud arrangements and updated policies are being presented to Committee for consideration during the next year.
- A Member led review of local governance arrangements covering the role of community forums and area committees, local Member delegated decision making and community engagement. The results of the Working Group were reported to Council in March 2017 and the issues raised will be fully considered by Council during 2017/18.
- Scrutiny reviews undertaken by task and finish groups commissioned by Overview and Scrutiny Committees.
- External assessments and inspections. This includes an inspection of Reablement Services in August 2016 by the Care Qualities Commission which rated the service as good.
- Peer Reviews have been completed for Warwickshire Fire and Rescue Service Adult Services, Children's Services and the Health and Wellbeing Board.
- Risk based reviews completed 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. The committee has also considered in greater detail areas where limited assurance opinions have been provided in the past including case file audits, Section 106 agreements and pre-employment checks. This report concludes that the Authority's control environment provides moderate assurance that the significant risks facing the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

5. Governance issues

We have not experienced any significant governance failures during the last year and our arrangements continue to be regarded as fit for purpose in accordance with the governance framework. However, the matters listed below have been identified as major challenges for the Authority. These governance challenges 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 twelve 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 corporate business plans and that the actions identified in those plans will address the issues highlighted in our review of effectiveness. The following paragraphs summarises the risks contained in the strategic risk register.

Government policies, new legislation, austerity measures and demographic pressures present challenges on service delivery.

The outlook for Local Government remains demanding with a number of central government policies combined with the national economic situation presenting significant challenges to us. Statements from the Treasury continue to reiterate that the period of austerity for public services will continue for some years and we need to maintain a watching brief of government statements to identify potential policies which may have a significant impact for local government. Planned changes to Local Government funding including proposed arrangements for the retention of business rates is also an area of risk for us as it increases uncertainty on future funding. There is also a large amount of uncertainty arising from the United Kingdom withdrawing from the European Union and the national political landscape. We do not yet know what impact these will have on changes to laws, budgets, grants and devolution agenda.

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We have produced a new One Organisational Plan for the period 2017-2020 which identifies savings of £67m over the next three years. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. The savings and transformation plans that are being put in place are challenging and will result in a significant impact on services that we provide to the public. The major focus for us in the coming year is to:

- As part of the transformation programme, continue to provide clarity about our priorities based on an analysis of need and budget plans.
- Ensure the effective use of a £5m Transformation Fund approved in February 2017 to support delivery of OOP-2020 and help manage the impact of changes to services that we provide to the public and the effect this may have on partners, other authorities and the voluntary sector.
- Continue to monitor the implementation of savings plans and ensure that budgets are managed in a clear and prudent manner.
- Continue to ensure that good governance, sound project and partnership management and standards of control are in place and adhered to during the transformation process to ensure that risks are managed and we achieve the best outcomes.
- Participate in national and sub-regional working groups to support and influence the development of the 100% Business Rates Retention system.
- Continue to explore and engage in the debate around the implication of national policy direction on local public service delivery and what it may mean for Warwickshire.
- Work with our key partners to engage pro-actively with the UK Government as discussions surrounding Brexit continue.

Continuing pressure on Adult Social Services and Health.

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

We have taken action to address pressures and increasing demand on adults social care services by utilising the 2% Adult Social Care Levy as part of our budget setting. We have also been allocated over £17 million extra for adult social care over the next 3 years - £8.3m in 2017/18, £6.3m in 2018/19 and £3.1m in 2019/20.

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

- Progress our review of the “customer journey” for child and adult services. This will review services from the customer perspective and improve processes with the customer in mind.
- Continue to progress our approach to commissioning and improve our approach to managing contractor performance and reducing the risk of market failures.
- Review the assessment model for Social Care and Support customers to identify how assessments can be most effectively delivered in future.

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

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

During the last year we have established a Multi-Agency Safeguarding Hub (MASH) in partnership with Warwickshire Police, NHS and other key partner agencies. This allows us to work more closely with our partners to provide a more co-ordinated and consistent response to safeguarding concerns about children, young people and adults.

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We continue to develop our safeguarding arrangements and over the next year have the following planned actions:

- Implement a new case file audit tool to align with the implementation of the new People Group Case File Audit Procedure.
- The Warwickshire Safeguarding Adults Board (WSAB) will implement a programme of regular multi-agency audits.
- Recruit an additional 40 Social Workers to reduce caseloads and enable us to work more effectively with families in the community and reduce the number of looked after children.
- We recognise the significance of children's safeguarding services and following a peer review of Children's Services have developed an action plan to address suggested improvements.

Failure to maintain the security of personal or protected data.

Information security is a key issue for all public sector organisations in the light of well publicised data losses and cyber security incidents affecting many public bodies. A robust process for investigating incidents is in place and we continue to protect our systems and data of our staff and customers. We ensure that data is stored securely, legally and in accordance with Council policy. We have reviewed our information security guidance as a method of increasing overall awareness, and signposting staff to our array of more detailed advice and guidance in this arena. To improve awareness, and ensure that all members of staff understand their information security responsibilities, we have required staff to undertake e-learning and formally accept their responsibilities. We will also continue review and improve our information governance processes and are preparing for the General Data Protection Regulation (GDPR) ahead of its introduction in 2018.

The security and integrity of our systems are disrupted as a result of cybercrime.

There is an increased escalation in potential fraudulent and criminal activity. Along with all other organisations we have seen a major increase in the number of attacks on Warwickshire websites and systems arising from hacking, denial of service, ransomware and phishing. We will continue to review and develop our network and information security arrangements during the course of the next year in response to the increased threat.

The ability to secure economic growth in Warwickshire.

We are a member of The Coventry and Warwickshire Local Enterprise Partnership (CWLEP) which is a key driver for creating a successful, thriving economy within Coventry and Warwickshire. CWLEP has secured funding from the Governments Local Growth Fund for a number of projects and we will continue to undertake work in this area to identify and submit further projects in order to seek future funding and monitor the delivery of existing projects to review the benefits on our local economy. We will continue to:

- Support the CWLEP Growth Hub in assisting SMEs and work to help the Hub become self-financing.
- Contribute to CWLEP sub-group work looking at the impact of Brexit on skills, employment and infrastructure in Coventry and Warwickshire.
- Continue to work with our partners to develop the Skills for Employment programme to improve the employability skills and attributes of young people.
- Continue to develop and promote the new 'Warwickshire Together'; crowd-funding portal and Warwickshire Placemaking Fund - a capital fund available for town centre projects.

At a wider, regional level the West Midlands Combined Authority (WMCA) has been established with the challenge to create jobs, enhance skills, develop prosperity and drive economic growth. The Council has joined WMCA as a non-constituent member and continues to play a full part in the development of the Authority.

Inability to keep our communities safe from harm.

There are many challenges on the horizon nationally and locally for the services we provide that keep our communities safe. This particularly

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includes the Fire and Rescue Service, highways maintenance and corporate arrangements for business continuity, and we recognise that we need to become even more flexible if we are to meet our current and emerging challenges. During the course of the next year we will have a focus on the following areas:

- Develop and deliver an annual action plan as part of the Integrated Risk Management Plan (2017 - 2020) for the Fire Service
- Deliver an improvement plan as a result of the Fire and Rescue Service Peer Review 2017
- Continue to review and test our business continuity and emergency plans.

6. Certification

We propose over the coming year to continue to manage the risks attached above and further enhance our governance arrangements. We are satisfied that the risks we have identified are addressed by the detailed action plans included in corporate business plans 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.

……………………………………………….
David Carter
Joint Managing Director (Resources)
Head of Paid Service

……………………………………………….
Councillor Izzy Seccombe
Leader of the Council

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Item 7

Audit & Standards Committee

06 September 2017

Warwickshire Pension Fund Statement of Accounts & Annual Governance Report 2016/17

Recommendation

1. The Committee is asked to:

- Consider the 2016/17 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval.

- 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.

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

2. Statement of Accounts

2.1. Appendix A to this report presents the Statement of Accounts for 2016/17.

2.2. The Statement of Accounts for Warwickshire Pension Fund is comprised of the following:

- Statement of Responsibilities
- Fund Revenue Account
- Fund Net Assets Statement
- Statement of Accounting Policies
- Notes to the Financial Statements
- Actuarial Statement

2.3. The Committee is asked to consider the 2016/17 Statement of Accounts attached at **Appendix A** and recommend them to Council for approval.

3. Annual Governance Report

3.1. Our external auditors, Grant Thornton, are required to report to those charged with governance on issues arising from the audit of the financial statements of the Pension Fund before issuing their final opinion. Their report for 2016/17 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.

3.2. The Audit Director and Audit Manager will attend the meeting to present their report.

4. Letter of Representation

4.1. 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, to the best of their knowledge, sufficient, appropriate and without omission of material facts. 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**.

4.2. 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 21 September 2017.

Background Papers

None

	Name	**Contact Information**
Report Author	Vicki Forrester	vickiforrester@warwickshire.gov.uk
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The report was circulated to the following members prior to publication:
Local Member(s):
Other members:

Warwickshire Pension Fund

Statement of Accounts

2016/17

We would welcome any comments or suggestions you have about this publication. Please contact Chris Norton, Strategic Finance Manager, Resources Group, Warwickshire County Council.

- Phone: 01926 582035
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You can also leave your comments on our website at www.warwickshire.gov.uk

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

Contents

Independent Auditors' Report

Statement of responsibilities for the statement of accounts

This section explains our responsibilities, in line with the Accounts and Audit Regulations 2015, for our financial affairs and how we ensure 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: 21 September 2017**

I confirm that the accounts were considered and approved at a meeting of the Council on 21 September 2017.

Councillor Clive Rickhards
Chair of the Council **Date: 21 September 2017**

Warwickshire Pension Fund Account

2015/2016			2016/2017
£ m		Notes	£ m
	Dealings with members, employers and others directly involved in the fund		
(68.9)	Contributions	7	(71.8)
(6.7)	Transfers in from other schemes	8	(7.4)
(75.6)			(79.2)
67.9	Benefits payable	9	72.2
5.3	Payments to and on account of leavers	10	5.1
73.2			77.3
(2.4)	**Net (additions)/withdrawals from dealing with members**		**(1.9)**
8.2	Management expenses	11	9.1
5.8	**Net (additions)/withdrawals inc fund management expenses**		**7.2**
	Returns on investments		
(22.1)	Investment income	13	(26.8)
0.9	Taxes on income		0.1
(167.0)	Profit and losses on disposal of investments	23	(34.2)
155.4	Changes in the market value of investments	23	(265.0)
(32.8)	Net return on investments		**(325.9)**
(27.0)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(318.7)**
(1,638.1)	**Opening net assets of the scheme**		**(1,665.1)**
(1,665.1)	**Closing net assets of the scheme**		**(1,983.8)**

Net Assets Statement

2015/2016			2016/2017
£ m		Notes	£ m
1,645.2	Investment assets	15/16/17	1,948.0
13.5	Cash deposits	15/16/17	30.8
1,658.7	Total net investments		1,978.8
10.0	Current assets	29	8.7
-3.6	Current liabilities	30	-3.7
1,665.1	**Net assets of the fund available to fund benefits at the period end**		**1,983.8**

Notes to the Warwickshire Pension Fund Accounts for the year ended 31 March 2017

Note 1: Description of fund

The Warwickshire Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by Warwickshire County Council. The county council is the reporting entity for this pension fund.
The following description of the fund is a summary only. For more detail, reference should be made to the Warwickshire Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and
- Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory defined benefit pension scheme administered by Warwickshire County Council to provide pensions and other benefits for pensionable employees of Warwickshire County Council, the district and borough councils in the county of Warwickshire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The fund is overseen by the Warwickshire Pension Fund Investment Sub-committee, which is a committee of Warwickshire County Council and is made up of five County Councillors. Two independent specialists provide advice and guidance to the sub-committee.

The Public Service Pensions Act 2013 included a requirement to establish a local Pension Board, with responsibility to assist the administering authority:

- To secure compliance with; the LGPS regulations; other legislation relating to the governance and administration of the LGPS, and; the requirements imposed by the Pension Regulator in relation to the LGPS and

- Perform an oversight role to ensure the effective and efficient governance and administration of the LGPS.

A local Pension Board has been in place since February 2015.

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Warwickshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 160 employer organisations within Warwickshire Pension Fund including the county council itself, as detailed below.

Warwickshire Pension Fund	31 March 2016	31 March 2017
Number of employers with active members	160	160
Number of employees in scheme		
County Council	9,023	9,106
Other employers	7,479	7,619
Total	**16,502**	**16,725**
Number of pensioners		
County Council	6,747	6,195
Other employers	5,143	4,707
Total	**11,890**	**10,902**
Deferred pensioners		
County Council	10,106	10,441
Other employers	6,278	6,570
Total	**16,384**	**17,011**
Total	**44,776**	**44,638**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Contributions are also made by employers' which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2016 and a revised schedule of employer contribution rates became effective for the three years from 1 April 2017.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x pension	No automatic lump sum
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. The changes also brought in a 50/50 option allowing members the opportunity to contribute 50% for 50% of the benefit entitlement.

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. However, contributions since 1 April 2014 are assessed on all pensionable pay received including non-contractual elements. In addition, the contribution bandings were extended with many of the higher paid seeing an increase in contributions.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

Note 2: Basis of preparation

The Statement of Accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They have been prepared on a going concern basis in accordance with IAS1.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. This is addressed by the actuary's triennial valuation.

Note 3: Summary of significant accounting policies

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the period to which they relate.

Employer deficit, augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see notes 8 and 10). This is normally when the member liability is accepted or discharged.

c) Investment income

i) Interest Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement.

iii) Distributions from managed funds

Distributions from managed funds are recognised at the date of issue. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement.

iv) Profit and losses on disposal of investments

Profit and losses on the disposal of investments are recognised as income and comprise all realised profits/losses during the year.

v) Movement in the market value of investments

Changes in the market value of investments are recognised as income and comprise all unrealised profits/losses during the year.

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. And amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) 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.

f) Management expenses

The Code does not require a breakdown of pension fund administration expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs.*

Administrative expenses
All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team and associated accounting, management, accommodation and other overheads are apportioned and charged as expenses to the fund.

Oversight and governance costs
All oversight and governance expenses are accounted for on an accruals basis. All costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses
All investment management expenses are accounted for on an accruals basis.
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Where these are deducted at source (as opposed to being charged via an invoice) the fee is identified and a journal posted to record the investment management fee and reduce the investment income.

g) Investment assets

Investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An investment asset is recognised in the Net Assets Statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

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:

- 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 is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or to 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 *International Private Equity and Venture Capital Valuation Guidelines 2012.*

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; 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.

h) 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.

i) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits and includes amounts held by the fund's external managers.

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.

j) Investment Liabilities

The fund recognises investment liabilities at fair value as at the reporting date. An investment liability is recognised on the date the fund becomes party to the liability and are summarised in Note 13. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.
As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 28).

l) Additional voluntary contributions

Warwickshire Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Equitable Life and Standard Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 31).

Note 4: Critical judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the *International Private Equity and Venture Capital Valuation Guidelines 2012*. The value of unquoted private equities as at 31 March 2017 was £84.9m (31 March 2016: £68.3m). This includes investments in infrastructure.

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 27. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the Net Assets Statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund 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 assumption would result in an increase in the pension liability of £288m - a 0. 5% increase in assumed earnings inflation would increase the value of liabilities by approximately £63m, and - a one-year increase in assumed life expectancy would increase the liability by approximately 3-5%.
Private equity	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements (including infrastructure) are £84.9m. There is a risk that this investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 2% around the net asset values on which the hedge fund of funds valuation is based. This equates to a tolerance of +/- £1.7m.
Hedge fund of funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £84.3m. There is a risk that this investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 2% around the net asset values on which the hedge fund of funds valuation is based. This equates to a tolerance of +/- £1.7m.

Note 6: Events after the reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and
b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

There were no adjusting or non-adjusting events.

Note 7: Contributions receivable

By category

2015/2016		2016/2017
£ m		**£ m**
16.4	Employees' contributions	16.6
	Employer's contributions:	
42.0	Normal contributions	43.8
10.5	Deficit Recovery contributions	11.4
52.5	**Total employer's contributions**	**55.2**
68.9		**71.8**

By authority

2015/2016		2016/2017
£ m		**£ m**
34.0	Administering authority	37.1
30.8	Scheduled bodies	33.4
4.0	Admitted bodies	1.2
0.1	Bodies no longer contributing	0.1
68.9		**71.8**

Note 8: Transfers in from other pension funds

2015/2016		2016/2017
£ m		**£ m**
0.7	Group transfers	0.7
6.0	Individual transfers	6.7
6.7		**7.4**

Note 9: Benefits payable

By category

2015/2016		2016/2017
£ m		**£ m**
55.5	Pensions	57.1
10.6	Commutation and lump sum retirement benefits	13.7
1.8	Lump sum death benefits	1.4
67.9		**72.2**

By authority

2015/2016		2016/2017
£ m		**£ m**
37.7	Administering authority	40.1
26.5	Scheduled bodies	28.1
2.9	Admitted bodies	3.2
0.8	Bodies no longer contributing	0.8
67.9		**72.2**

Note 10: Payments to and on account of leavers

2015/2016		2016/2017
£ m		**£ m**
0.1	Refunds	0.3
1.0	Group transfers	0.0
4.2	Individual transfers	4.8
5.3		**5.1**

Note 11: Management expenses

2015/2016 (Restated)		2016/2017
£ m		**£ m**
1.2	Administration costs	1.4
6.7	Investment management expenses	7.4
0.3	Oversight and governance costs	0.3
8.2		**9.1**

This analysis of the costs of managing the Warwickshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (Note 16 and Note 25).

Note 12: Investment management expenses

2015/2016		2016/2017
£'000		**£'000**
6,028.3	Management fees	6,600.9
196.3	Performance related fees	310.2
92.0	Custody fees	90.8
345.4	Transaction costs	397.7
6,661.9		**7,399.6**

Note 13: Investment income

2015/2016 (Restated)		2016/2017
£ 000		**£ 000**
26.6	Index linked bonds	0.0
14,770.0	Equity dividends	16,642.7
7,224.7	Managed funds:	9,418.5
3,234.8	Property	3,726.63
175.8	Infrastructure	1,205.88
881.1	Hedge Funds	903.66
2,374.0	Alternative	2,790.62
559.1	Private Equity	791.67
54.9	Interest on cash deposits	720.7
23.0	Stock lending	47.0
22,099.2		**26,828.9**

The value of the restatement is £26,600 and has been included to assist clarity and adherence to the Code.

Note 14: Other fund account disclosures: external audit costs

The external audit fee for 2016/17 was £24,000. The fee for 2015/16, including fee variation, was £25,000.

Note 15: Investments

2015/2016		2016/2017
£ m		£ m
	Investment Assets	
84.3	Index linked bonds	0.0
544.8	Equities	683.0
1,013.2	Managed funds:	1,307.2
48.2	Private Equity	66.2
186.3	Pooled Property	192.5
679.8	Pooled Investments, Unit Trusts & Other Managed Funds	945.6
19.9	Infrastructure	18.7
79.0	Hedge Funds	84.3
13.5	Cash deposits	30.8
15.5	Investment current assets	2.6
1,671.3	**Total Investment Assets**	**2,023.6**
	Investment Liabilities	
(12.6)	Investment current liabilities	(44.8)
	Total Investment Liabilities	
1,658.7	**Net Investment Assets**	**1,978.8**

The investment current liability is due to cash in transit between two of the fund's investment managers which took place over the year end date. This transaction was part of a re-balancing exercise to maintain target asset allocation.

Note 16: Reconciliation of movements in investments

	Market value 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2017
	£ m	£ m	£ m	£ m	£ m
Investment Assets					
Index linked bonds	84.3	0.0	-79.8	-4.4	0.0
Equities	544.8	99.0	-86.2	125.4	683.0
Managed funds:	1,013.2	92.4	-55.2	256.7	1307.2
Private Equity	48.2	12.9	-7.2	12.2	66.2
Pooled Property	186.3	12.5	-9.9	3.5	192.5
Pooled Investments, Unit Trusts & Other Managed Funds	679.8	51.7	-19.6	233.7	945.6
Infrastructure	19.9	15.2	-18.5	2.0	18.7
Hedge Funds	79.0	0.0	0.0	5.3	84.3
Other Investment Balances					
Cash deposits	13.5	107.9	-91.2	0.6	30.8
Net investment current assets	2.9	0.4	-45.7	0.2	-42.2
Net Investment Assets	**1,658.7**	**299.8**	**-358.1**	**378.5**	**1,978.8**

	Market value 1 April 2015	Purchases during the year	Sales during the year	Change in market value during the year	Increase in debtors or (creditors)	Market value 31 March 2016
	£ m	£ m	£ m	£ m	£ m	£ m
Investment Assets						
Index linked bonds	7.7	114.2	(40.4)	2.8	0.0	84.3
Equities	530.5	84.8	(69.5)	(1.1)	0.0	544.8
Managed funds:	1,066.7	494.8	(557.9)	9.6	0.0	1, 013.2
Private Equity	31.1	14.8	(6.2)	8.5	0.0	48.2
Pooled Property	165.0	11.7	(7.7)	17.4	0.0	186.3
Pooled Investments, Unit Trusts & Other Managed Funds	790.9	447.5	(542.9)	(15.8)	0.0	679.8
Infrastructure	0.0	20.8	(1.1)	0.3	0.0	19.9
Hedge Funds	79.7	0.0	0.0	(0.8)	0.0	79.0
Other Investment Balances						
Cash deposits	24.1	77.8	(86.5)	0.1	(2.0)	13.5
Net investment current assets	2.3	0.3	(1.7)	0.0	2.0	2.9
Net Investment Assets	**1,631.3**	**771.8**	**(756.0)**	**21.2**	**0.0**	**1,658.7**

Note 17: Analysis of investments

31 March 2016		31 March 2017
£ m		**£ m**
	Index linked bonds	
84.3	UK	0.0
0.0	Overseas	0.0
84.3		**0.0**
	Equities	
261.0	UK (Quoted)	309.7
283.8	Overseas (Quoted)	373.3
544.8		**683.0**
	Managed funds	
883.9	UK:	1,146.5
184.8	Pooled Property	191.4
679.8	Pooled Investments, Unit Trusts & Other Managed Funds	945.6
19.3	Infrastructure	9.6
129.3	Overseas:	160.7
79.0	Hedge Funds	84.3
48.2	Private Equity	66.2
1.5	Pooled Property	1.1
0.7	Infrastructure	9.1
1,013.2		**1,307.2**
	Cash deposits	
10.2	UK Sterling	25.6
3.3	Foreign currency	5.2
13.5		**30.8**
2.9	**Net investment current assets**	**(42.2)**
1,658.7	**Net Investment Assets**	**1,978.8**

Note 18: Investments analysed by fund manager

Market value 31 March 2016			Market value 31 March 2017	
£ m	**%**		**£ m**	**%**
264.6	16.0%	Columbia Threadneedle Investments (UK Equities)	306.8	15.5%
294.9	17.8%	MFS Investment Management (Global Equities)	388.1	19.6%
404.5	24.4%	Legal and General Investment Management (Index Tracker - Global Equities)	496.4	25.1%
283.2	17.1%	Legal and General Investment Management (Index Tracker - Fixed Income)	325.9	16.5%
100.1	6.0%	Columbia Threadneedle Investments (Property)	104.3	5.3%
88.1	5.3%	Schroder Investment Management (Property)	90.6	4.6%
79.0	4.8%	Blackstone Group International (Hedge Funds)	84.3	4.3%
48.3	2.9%	HarbourVest (Private Equity)	66.2	3.3%
74.0	4.5%	JP Morgan (Strategic Bond)	75.9	3.8%
19.3	1.2%	Standard Life Capital (Infrastructure)	9.6	0.5%
0.7	0.0%	Partners Group (Infrastructure)	9.1	0.5%
2.0	0.1%	BNY Mellon (Global Custodian)	21.6	1.1%
1,658.7	**100.0%**		**1,978.8**	**100.0%**

Note 19: Investments representing more than 5% net assets of the scheme

Security	Market value 31 March 2017	% of total fund as at 31 March 2017
	£ m	
L&G Investment Grade Corporate Bond	183.1	9.23%
L&G UK Equity Index	169.2	8.53%
L&G Europe (Exc UK) Equity Index	141.6	7.14%
L&G Fundamental Indexation	104.5	5.27%
Columbia ThreadneedleTPN Property A	104.3	5.26%
L&G Index linked Bonds	100.5	5.07%

Security	Market value 31 March 2016	% of total fund as at 31 March 2016
	£ m	
L&G Grade Corporate Bond All Stocks Index	171.2	10.3%
L&G UK Equity Index	132.4	8.0%
Columbia ThreadneedleTPN Property A	100.1	6.0%
L&G Europe (Exc UK) Equity Index Fund	100.1	6.0%
L&G All Stocks Index Linked Gilts	84.3	5.1%

Note 20: Stock lending

The fund's Statement of Investment Principles sets the parameters for the fund's stock-lending programme. At the year-end, the value of stock on loan was £18.2m (31 March 2016: £13.1m). The investments continue to be recognised in the fund's financial statements.

Counterparty risk is managed through holding collateral at the fund's custodian bank. At the year-end the fund held collateral (via the custodian) at fair value of £19.3m (31 March 2016: £13.9m). Collateral is obtained at 102% for sterling denominated equities and 105% for all other currency denominations and consists of government debt.

Stock-lending commissions are remitted to the fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Note 21: Property holdings

The fund does not hold property directly. Property is held in the form of pooled funds.

Note 22: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

Fair value through profit and loss	Loans and receivables	Financial liabilities		Fair value through profit and loss	Loans and receivables	Financial liabilities
		31 March 2016				31 March 2017
£ m	£ m	£ m		£ m	£ m	£ m
			Investment Assets			
84.3			Index linked bonds	0.0		
544.8			Equities	683.0		
1,013.2			Managed funds:	1,307.2		
48.2			Private Equity	66.2		
186.3			Pooled Property	192.5		
679.8			Pooled Investments, Unit Trusts & Other Managed Funds	945.6		
19.9			Infrastructure	18.7		
79.0			Hedge Funds	84.3		
	13.5		Cash deposits		30.8	
	15.5		Investment current assets		2.6	
	9.0		Debtors		7.9	
	1.0		Cash balances		0.9	
1,642.3	**39.0**	**0.0**		**1,990.2**	**42.1**	**0.0**
			Liabilities			
		(12.6)	Investment current liabilities			(44.8)
		(3.6)	Creditors			(3.7)
0.0	**0.0**	**(16.2)**		**0.0**	**0.0**	**(48.5)**
1,642.3	**39.0**	**(16.2)**		**1,990.2**	**42.1**	**(48.5)**

Note 23: Net gains and losses on financial instruments

31 March 2016		31 March 2017
£ m		£ m
	Financial Assets	
167.0	Fair value through profit and loss	299.2
0.0	Loans and receivables	0.0
	Financial liabilities	
(155.4)	Fair value through profit and loss	0.0
0.0	Loans and receivables	0.0
11.6	**Total**	**299.2**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 24: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value, these inputs are observable. Products classified as level 2 include unquoted bonds and overseas unit trusts and property funds.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Warwickshire Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments – overseas unit trusts & property funds Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Hedge funds Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audtied and unaudited accounts.

Private equity Level 3	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audtied and unaudited accounts.
Infrastructure Level 3	Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012.	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audtied and unaudited accounts.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Valuation at 31 March 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Financial assets Financial assets at fair value through profit and loss	786.1	1,034.9	169.2	1,990.2
Financial liabilities Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Net financial assets	786.1	1,034.9	169.2	1,990.2

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Financial assets Financial assets at fair value through profit and loss	620.4	874.7	147.2	1,642.3
Financial liabilities Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Net financial assets	620.4	874.7	147.2	1,642.3

Note 25 Reconciliation of fair value measurements within Level 3

	Market value 1 April 2016	Purchases during the year	Sales during the year	Change in market value during the year	Realised profit or loss (-) during the year	Market value 31 March 2017
	£ m	**£ m**	**£ m**	**£ m**	**£ m**	**£ m**
Fund of Hedge Funds	78.9	0.0	0.0	5.4	0.0	84.3
Private Equity	48.3	12.9	-7.2	9.3	2.9	66.2
Infrastructure	20.0	15.2	-18.5	1.3	0.7	18.7
	147.2	**28.1**	**-25.7**	**16.0**	**3.6**	**169.2**

Note 26: Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's primary long-term risk in that the fund's assets will fall short of its liabilities (ie promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. The council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

- The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Following analysis of historical data and expected investment return movement, the fund has determined that the following movements in market price risk were reasonably possible for the 2016/17 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	2016/17 Potential market movement
	%
UK Equities	13%
Overseas Equities	12%
Total Bonds, Index Linked & Pooled Managed Funds	8%
Cash	0%
Alternatives	10%
Property	5%

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets and are based on observed historical volatility of the returns of the asset class.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2017	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
UK Equities	881.9	114.6	996.5	767.2
Overseas Equities	347.8	41.7	389.5	306.1
Total Bonds, Index Linked & Pooled Managed Funds	325.5	26.0	351.6	299.5
Cash	-14.0	0.0	-14.0	-14.0
Alternatives	245.1	24.5	269.6	220.6
Property	192.5	9.6	202.1	182.8
Total	**1,978.8**	**216.6**	**2,195.4**	**1,762.3**

Asset Type	Value as at 31 March 2016	Potential market movement	Value on increase	Value on decrease
	£ m	**£ m**	**£ m**	**£ m**
UK Equities	679.1	124.9	804.0	554.1
Overseas Equities	262.6	38.3	300.9	224.2
Total Bonds, Index Linked & Pooled Managed Funds	295.2	23.6	318.8	271.5
Cash	14.3	0.0	14.3	14.3
Alternatives	221.2	22.1	243.3	199.1
Property	186.3	10.8	197.2	175.5
Total	**1,658.7**	**219.8**	**1,878.5**	**1,438.8**

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fund's interest rate risk is monitored as part of asset allocation decisions. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

Currency	2016/17 Potential market movement
	%
Czech Republic Koruna	11%
Danish Krone	11%
Euro	11%
Japanese Yen	18%
Mexican Peso	18%
Swedish Krona	11%
Swiss Franc	12%
Thai Baht	13%
US Dollar	13%
Hong Kong Dollar	13%

A strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows. This analysis assumes that all other variables, in particular interest rates, remain constant. The prior year comparator is shown below:

Currency	Value as at 31 March 2017	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Czech Republic Koruna	0.6	0.1	0.7	0.5
Danish Krone	3.1	0.3	3.4	2.8
Euro	104.0	11.4	115.5	92.6
Japanese Yen	4.5	0.8	5.4	3.7
Mexican Peso	1.3	0.2	1.5	1.1
Swedish Krona	8.1	0.9	9.0	7.2
Swiss Franc	34.6	4.1	38.7	30.4
Thai Baht	0.9	0.1	1.0	0.7
US Dollar	271.5	35.3	306.8	236.2
Hong Kong Dollar	0.8	0.1	0.9	0.7
Total	**429.4**	**53.4**	**482.8**	**375.9**

Currency	Value as at 31 March 2016	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Czech Republic Koruna	0.6	0.1	0.7	0.6
Danish Krone	2.7	0.2	2.9	2.5
Euro	73.7	5.7	79.4	68.0
Japanese Yen	2.4	0.2	2.6	2.1
Mexican Peso	1.1	0.1	1.2	1.0
Swedish Krona	5.0	0.5	5.5	4.5
Swiss Franc	24.5	2.9	27.5	21.6
Thai Baht	0.7	0.1	0.7	0.6
US Dollar	205.0	15.3	220.3	189.7
Hong Kong Dollar	0.6	0.0	0.7	0.6
Total	**316.4**	**25.1**	**341.5**	**291.3**

Credit risk

Credit risk represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Pension Fund is exposed to credit risk through the stock lending programme. This is managed by the custodian who monitors the counterparty and collateral risk. The level of collateral for stock on loan is assessed daily to ensure it takes account of market movements. To mitigate risk, stock lending is restricted to 25% of the total market value of the stock held, in accordance with investment regulations.

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments, particularly cash to meet pensioner payroll and other benefit costs, and also cash to meet investment commitments.

The Pension Fund has immediate access to its cash holdings and currently enjoys a long term positive cash flow. Cash flow surpluses are invested with fund managers.

The Pension Fund is authorised to borrow on a short term basis to fund cash flow deficits.

The actuary to the Pension Fund produces regular cash flow forecasts which are presented to the Investment Sub-Committee.

All financial liabilities as at 31 March 2017 are due within one year.

Note 27: Funding arrangements

In line with The Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016 and set contribution rates for the three years commencing 1 April 2017. The valuation that set contribution rates for the 2016/17 financial year took place as at 31 March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in contribution rates by spreading any increases in rates over a period of time. Normally this is three years but in some cases an extended period can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding level falls significantly short of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2013 actuarial valuation, the fund was assessed as 77% funded (82% at the March 2016 valuation). This corresponded to a deficit of £419m (2016 valuation: £358m).

Contribution increases were phased in over the three year period ending 31 March 2017. The common contribution rate (ie the rate which all employers in the fund pay) is as follows.

Valuation Date	31 March 2013
Total contribution rate	**% of Pay**
Future service rate (inc expenses)	19.5%
Past service adjustment (19 year spread)	9.6%
Total employer contribution rate	**29.2%**

Individual employer rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2013 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions are as follows:

Financial assumptions

Financial assumptions	Nominal	Real
	%	%
Post Retirement Discount Rate	4.6%	2.1%
Pre Retirement Discount Rate	4.6%	2.1%
Salary Increases	4.3%	1.8%
Price Inflation/Pension Increases	2.5%	-

Demographic assumptions

Assumed life expectancy from age 65 is as follows.

Demographic assumptions	Actives & Deferreds		Current Pensioners	
Assumed life expectancy at age 65	**Male**	**Female**	**Male**	**Female**
2013 Valuation – baseline	20.0	22.6	20.1	22.3
2013 Valuation - improvements	24.3	26.6	22.4	24.4

Commutation assumptions

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 Option

It is assumed that 10% of active members (uniformly distributed across the age, service and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

Note 28: Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 24). The following is the full Pension Fund Accounts Reporting Requirement provided by the fund actuary.

Introduction
CIPFA's Code of Practice on Local Authority Accounting 2016/17 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. I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire Pension Fund ("the Fund").

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 the 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 Fund's funding assumptions.

Present value of promised retirement benefits

31 March 2016		31 March 2017
£m		£m
1,236	Active members	1,205
384	Deferred pensioners	602
762	Pensioners	984
2,382	**Present value of promised retirement benefits**	**2,791**

The promised retirement benefits at 31 March 2017 (2016) have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016 (2013). The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2017 and 31 March 2016. I estimate that the impact of the change in financial assumptions to 31 March 2017 is to increase the actuarial present value by £393m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £33m.

Financial assumptions

Year ended (% p.a.)	31 March 17	31 March 16
	%	%
Pensions Increase rate	2.4%	2.2%
Salary Increase Rate	3.0%	4.2%
Discount Rate	2.6%	3.5%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.5 years	24.7 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.3 years	26.7 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

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.

Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	220
0.5% p.a. increase in the Salary Increase Rate	2%	63
0.5% p.a. decrease in the Real Discount Rate	10%	288

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled ‘Actuarial Valuation as at 31 March 2017 for accounting purposes’. 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
4 May 2017
For and on behalf of Hymans Robertson LLP

Note 29: Current assets

31 March 2016		31 March 2017
£m		**£m**
	Debtors:	
1.2	Contributions due: Employees	1.3
3.1	Contributions due: Employers	3.2
4.0	Invoiced debtors	2.7
0.7	Sundry debtors	0.6
1.0	Cash balances	0.9
10.0	**Total**	**8.7**

Note 30: Current liabilities

31 March 2016		31 March 2017
£m		**£m**
	Liabilities:	
1.3	Owed to administering authority	0.9
1.6	Sundry Creditors	2.0
0.7	Benefits Payable	0.8
3.6	**Total**	**3.7**

Note 31: Additional Voluntary Contributions

31 March 2016		31 March 2017
£m		**£m**
2.7	Standard Life	2.6
0.3	Equitable Life	0.3
3.0	**Total**	**2.9**

AVC contributions of £0.3m were paid directly to Standard Life and £3000 was paid directly to Equitable Life during the year (2015/16: £0.3m to Standard Life and £3000 to Equitable Life).

Note 32: Related Party Transactions

Warwickshire County Council

The Warwickshire Pension Fund is administered by Warwickshire County Council. Consequently there is a strong relationship between the council and the pension fund.

During the reporting period, the council incurred costs of £766,000 (2015/16: £777,000) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund. Employee and employer contributions from the council amounted to £37.1m in 2016/17 (2015/16: £34.0 m).

Governance

There is one member of the pension fund investment sub-committee who is in receipt of pension benefits from the Warwickshire Pension Fund

Each member of the pension fund investment sub-committee is required to declare their interests at each meeting.

There are four members of the local pension board who are active members of the Warwickshire Pension Fund and one member who is eligible for a refund.

Key management personnel

Several employees of Warwickshire County Council hold key positions in the financial management of the Warwickshire Pension Fund, alongside responsibilities for Warwickshire County Council directly. These employees and their financial relationship with the fund (expressed as cash-equivalent transfer values, as an appropriate approximation for an IAS19 exercise) are set out below.

	2016/17	2015/16
	£	£
Head of Finance	705,730	645,558
Strategic Finance Manager	354,720	316,240
Pensions Manager	0	422,402
Treasury and Pension Fund Manager	173,926	153,395
Principal Accountant	42,342	34,261

Note 33: Authorisation for issue

These accounts have taken into account all known events up to 21 September 2017. On that date the accounts were authorised for issue by the Head of Finance.

John Betts

Head of Finance

Glossary

A

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.

Alternative investments

Investments other than the mainstream *asset classes* of *equities* and *bonds*. Alternatives include *hedge funds*, *private equity*, *infrastructure* and *commodities*. Property is also sometimes described as an alternative.

Asset allocation

The apportionment of a fund's assets between different *asset classes*.

B

Benchmark

A yardstick against which the investment policy or performance of a fund manager can be compared.

C

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

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*.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce *risk*.

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.

I

IAS19

An accounting standard which requires organisation's 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 organisation's balance sheet.

P

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.

S

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.

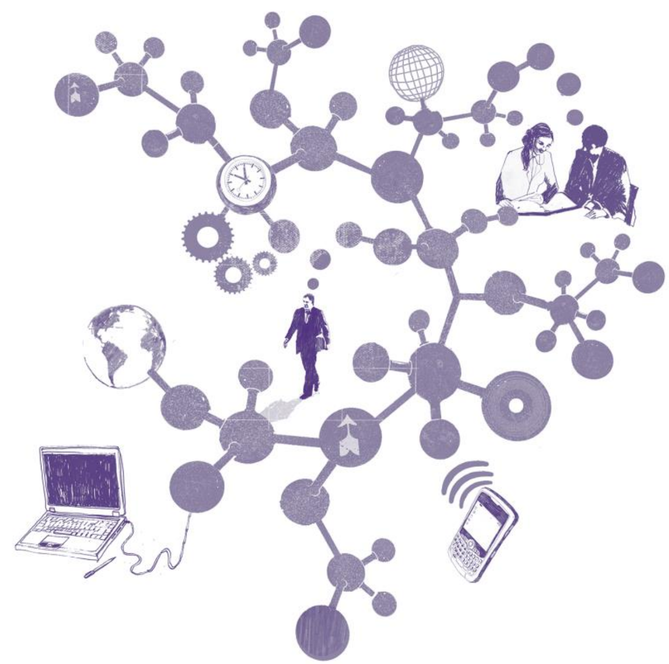
T

Transaction costs
Those costs associated with trading on a portfolio, notably *stamp duty* and *commissions*.

The Audit Findings for Warwickshire County Council Pension Fund

Year ended 31 March 2017

September 2017



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September 2017

Dear Members of the Audit and Standards Committee

Audit Findings for Warwickshire Pension Fund for the year ending 31 March 2017

This Audit Findings Report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Warwickshire Pension Fund, this is the Council but we have determined that the Audit and Standards Committee is the sub group with whom we would communicate), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), 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

Grant Patterson
Engagement lead

Chartered Accountants
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Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Warwickshire Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated April 2017.

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

- receipt and review of bridging letters in respect of controls reports for some of the fund managers used,
- review of the final version of the financial statements,
- obtaining and reviewing the management letter of representation,
- updating our post balance sheet events review, to the date of signing the opinion, and
- review of the Pension Fund Annual Report and issuing of a 'consistency with' opinion on the pension fund financial statements in the Pension Fund Annual Report under the NAO's AGN 07.

Key audit and financial reporting issues

Financial statements opinion

We received draft financial statements and accompanying working papers on 7 June 2016, in accordance with the agreed timetable.

We have not identified any adjustments affecting the Fund's reported financial position. However, we have recommended a number of adjustment to improve the presentation of the financial statement and ensure greater alignment with the Code.

The key messages arising from our audit of the Fund's financial statements are:

- We have no adjusted or unadjusted misstatements to report,
- The accounts and working papers were available in line with the agreed timetable and the quality of working papers remains consistent with that received in previous years.
- As outlined above we have recommended a number of changes to the draft accounts to ensure they align more closely with the example accounts produced by CIPFA.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

Controls

Roles and responsibilities

The Fund'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 Fund.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. Our work on the IT control environment identified some areas for improvement which we have discussed with officers.

The way forward

Matters arising from the financial statements audit of the Fund have been discussed with the Head of Finance

Acknowledgement

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 2017

Section 2: Audit findings

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £16,651k (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have revised our overall materiality in line with the increase in net assets to £19,838k (being 1% of net assets).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £992k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures	5% of the value of expenses
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made. We have set a materiality level of 10% of the largest disclosure to inform our audit approach and our reporting to the pension fund. We recognise that in compiling the disclosure, the pension fund will apply its own assessment of materiality (as required by IAS 24) and will also have regard to materiality from the perspective of the other party.	10% of the largest disclosure

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

Audit findings against significant risks

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
The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Warwickshire Pension Fund, 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; and • the culture and ethical frameworks of local authorities, including Warwickshire County Council as the administering body, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
Management over-ride of controls Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	• review of entity controls • review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • review of accounting estimates, judgements and decisions made by management • review of unusual significant transactions.	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

Audit findings against significant risks (continued)

We have also identified the following significant risk of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risk.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Level 3 Investments (Valuation is incorrect) Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	• We have updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel from the Pension Fund during the interim audit. • We have performed walkthrough tests of the controls identified in the process. • On a sample basis we have tested valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agree these to the fund manager reports at that date. In addition reconciling those values to the values at 31st march with reference to known movements in the intervening period. • Reviewed the qualification of the fund managers as experts to value the level 3 investments at year end and gained an understanding of how the valuation of these investments has been reached. • Reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments. • Reviewed the competence, expertise and objectivity of management experts used.	Our audit work has not identified any issues in respect of level 3 investments. As noted the valuation of these investments are subject to a degree of judgement and estimation. Our testing compared the valuation of level 3 assets as reported by the custodian to the value as reported by the individual fund manager. This identified that the value reported by the fund managers was £5.9m more than that reported by the custodian. £5.3m of this related to investments held with Harbourvest. The differences have been investigated and are not material to the fund. The difference can be explained as a result in differing estimation techniques between the fund manager and the custodian and timing differences. In addition, we have reviewed the valuation of the investments reported by the custodian and compared this to the latest audited accounts where they are available. For Harbourvest we have noted that a review of the accounts suggests a valuation of £70.0m when compared to the custodian value of £66.2m, a difference of £3.8m. The direction of the valuation difference is consistent with the differences identified above For Blackstone, the audited accounts show £82.6m when compared to the custodian of £84.3m, a difference of £1.7m. These differences are not material and below our expectation of tolerable error. We are therefore satisfied that the estimate is as a result of applying an appropriate estimation technique and no amendment is required to the accounts.

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment values – Level 2 investments	**Valuation is incorrect. (Valuation net)**	We have undertaken the following work in relation to this risk: • Updated our documentation and undertaken a walkthrough of the controls in place to ensure that Level 2 investment valuations are correct • Reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanation for variances • Tested a sample of Level 2 investments to independent information from custodian/manager on units and on unit prices.	Our audit work has not identified any significant issues in relation to the risk identified.
Contributions	**Recorded contributions not correct. (Occurrence)**	We have undertaken the following work in relation to this risk: • Updated our documentation and undertaken a walkthrough of the controls in place to ensure that recorded contributions are correct. • Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.
Benefits payable	**Benefits improperly computed/claims liability understated. (Completeness, accuracy and occurrence)**	We have undertaken the following work in relation to this risk: • Updated our documentation and undertaken a walkthrough of controls in place to ensure that benefits are computed appropriately • Tested a sample of individual pensions in payment by reference to member files. • Rationalised pensions 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.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

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: Updated our documentation and undertaken a walkthrough of the controls in place to ensure that member data is updated appropriately. We have focused our attention on those changes which would affect the actuary's calculations and therefore have an impact on the disclosures in the accounts, rather than test all changes to member data. Tested a sample of changes to member data made during the year to source documentation.	Our audit work has not identified any significant issues in relation to the risk identified.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that there is sufficient evidence to confirm that the fund remains a going concern.

Accounting policies, estimates and 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 Fund'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.	● (Green)
Judgements and estimates	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. • Overall 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.	● (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 and judgements continued

.

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Head of Finance as s151 officer has a reasonable expectation that the Fund will continue for the foreseeable future. Members concur with this view. For this reason, the Fund continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Fund's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.	● (Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	The Fund's accounting policies are appropriate and consistent with previous years. Our review of the accounting policies did identify an omission in respect of investment income. The Fund have added some narrative to the draft accounts to explain the accounting treatment.	● (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, as auditors, are required by auditing standards and the Code 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 procedures.
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Fund, which is included in the Audit and Standards Committee papers.
5.	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund. This permission was granted and the requests were sent, all of these requests were returned with positive confirmation.
6.	**Disclosures**	• Our review of disclosures has identified a number of areas where these could be improved. We have highlighted these for officers and members, and where appropriate amendments to the draft financial statements have been made.
7.	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. Due to statutory deadlines the Pension Fund Annual Report is not required to be published until the 1st December 2017 and therefore this report has not yet been produced. We have therefore not given this separate opinion at this time and are unable to certify completion of the audit of the administering authority until this work has been completed.

Internal controls

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

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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

Our audit included consideration of internal control 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.

The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK&I) 265)

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	We reported last year that there has been no specific pension fund coverage by internal audit in the previous two years. We recommended that the Head of Finance, in conjunction with members should consider whether sufficient assurance is in place on key controls within the pension fund.	Internal audit have carried out two specific pension fund audits during 2016/17. One on pensions administration and the second one a review of pension fund investment management. Both audits were given substantial assurance.
2.	✓	Last year we identified areas of the accounts where experts had been used, where it was unclear the level of challenge in place by the Fund on the final information produced. We recommended that the Head of Finance should consider whether appropriate controls and process are in place to validate and challenge the information provided by experts when producing the financial statements.	Our testing undertaken has not identified any areas where the fund have not applied a level of challenge to the information provided by the experts.

Assessment
✓ Action completed
X Not yet addressed

Impact of uncorrected misstatements in the prior year

	Detail	Account balance	Reason for not adjusting
1	Last year we identified that investments with MFS had been valued using mid price. The accounting policies clearly state that this should have been valued using bid price. If the holdings had been valued at bid price the value would have been £1.2m lower and therefore this has resulted in equities being overstated by £1.2m	Equities	Testing of the valuations of the investments held with MFS for the year ended 31 March 2017 confirmed that these have now been valued using bid price in line with the accounting policies. The valuation for 31 March 2016 remains at mid price, as this was not adjusted in the prior year on the grounds so of materiality
2	Within Note 19 – Financial instruments and fair value disclosures last year we identified a classification error of £1.3m between Level 1 and 2 investments. The total combined value of the investments was correct.	Note 19 – Financial instruments and fair value disclosures	As the classification error was below materiality, this was not amended last year. Testing of classification of balances for the year ended March 2017 has not identified any errors in classification and therefore no further action is required.
3	CIPFA guidance states that management fees which are netted off fund assets should be grossed up. Last year the Fund recognised this by grossing up management fees which are not invoiced as an opposite entry to the return on investments so that the net impact on the Fund Account is nil. The CIPFA recommended treatment is to identify the value of units redeemed in lieu of fees and report this as a disposal, thus increasing the reported profit on disposal and/or change in the market value of investments, with no net impact on the Fund Account. The treatment by the Fund as a return on investments is therefore not in line with this guidance. The total value of such entries identified is £1.6m that have been misclassified.	Return on investments	Testing of management fees this year has confirmed that the Fund have now disclosed management fees in line with the CIPFA guidance. While not material, and unadjusted in the prior year accounts, the Fund have restated the expenses for 2015/16 so that they are also in line with the guidance and on a comparable basis with the current year.

Misclassifications and 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	Value £'000	Account balance	Impact on the financial statements
1	Presentation and disclosure	Various	Various	Our review of the accounts highlighted 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 officers and changes have been made to the draft accounts submitted for audit. Examples included the need to add an accounting policy in respect of investment income, an addition to the basis of preparation note to refer to the going concern assumption and the need to update the regulations referred to in note 31 on additional voluntary contributions. This is in addition to the need to tidy up formatting and some of the note references prior to publication.
2	Presentation and disclosure	£1.3m	Key management personnel	The fund have disclosed the financial relationship that key senior management personnel have with the fund. They have disclosed this expressed as a cash-equivalent transfer value as an approximation for the IAS19 actuarial valuation that is required as per the Code. Officers have confirmed that this approximation is unlikely to produce a material difference and will amend the narrative to explain why this approximation is considered appropriate. In future years, the Fund may wish to discuss this with their actuary to see that the appropriate valuations are provided as part of the IAS 19 annual exercise.
3	Disclosure	N/A	Assumptions made about the future and other major sources of estimation uncertainty	The notes as per the draft accounts makes reference to the tolerance used by the custodian in relation to hedge funds, but not for private equity funds. The fund have agreed to add some additional narrative for private equity funds to make the disclosures consistent.
4	Disclosure	N/A	Note 27 – Funding arrangements	The draft note makes references to the 2013 triennial valuation only. We have agreed some revisions to the wording with officers so that reference is also made to the outcome of the 2016 triennial valuation.

Misclassifications and 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	Value £'000	Account balance	Impact on the financial statements
5	Disclosure	£44.8m	Investment liabilities	The fund have shown an investment liability within note 15 of the accounts to account for the year end trade between MFS and L&G that was in progress at year end. The investment liability has been included within the reconciliation provided by the custodian and is required to ensure that the asset is not double counted at year end. On the face of the net asset statement the investment liabilities of £44.8m have therefore been included net of this sum within the investment assets balance. The fund are to provide an additional narrative disclosure to Note 15 in respect of this transaction.
6	Disclosure	N/A	Note 24 – Valuation of financial instruments carried at fair value	This is the first year of the new IFRS 13 disclosures. The draft accounts did not include sufficient detail in relation to the categorisation of assets held at fair value. The fund have agreed to add an additional table in line with the presentations suggested in the CIPFA example accounts to improve compliance. While the CIPFA example accounts presentations do not fully comply with the requirements of IFRS 13, in as far as including a value for each description of asset, we are satisfied that the revisions made provide sufficient information to a reader of the accounts to ensure they would not be misled in decision making and we will work with officers to ensure that full compliance with IFRS 13 is achieved in future years.
7	Disclosure	N/A	Note 28 – Actuarial present value of promised retirement benefits	The draft statement included within the accounts only included some of the actuarial assumptions used by the actuary rather than all of those provided to the pension fund as part of the signed statement. We have agreed with officers that all assumptions should be included in the final set of statements.
8	Misclassification	£79.7m	Note 16 – Reconciliation of movements in investments	A review of this note identified that £79.7m in relation to index linked bonds had been classified incorrectly as a change in market value during the year, when it was actually a sale. This has been amended for in the final set of statements.
9	Disclosure	N/A	Note 26 – Nature and extent of risks arising from financial instruments	This note includes various sensitivity analysis that the fund has obtained. The analysis makes reference to asset types that cannot be directly reconciled back to other headings used in the accounts, e.g. Alternatives. Given the proportion of level 3 investments held by the fund we are satisfied that this would not impact on the reader of the accounts and have agreed with the fund that this will be reviewed as part of the preparation of next years financial statements.

Section 3: Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Final fee £
Pension fund audit	23,892	23,892
IAS 19 fee variation	1,328	1,328
Total audit fees (excluding VAT)	**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 with the PSAA regime and is consistent with that requested in prior years.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA), and is consistent with that reported in the financial statements for the 2016/17. The disclosure in the financial statements in respect of 2015/16 includes the IAS 19 fee variation of £1k, however this has not been included for 2016/17 as the variation has not yet been agreed with PSAA.

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 Auditing Practices Board's Ethical Standards and 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.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Fund.

Fees for other services

Service	Fees £
Audit related services	**Nil**
Non-audit services	**Nil**

Section 4: Communication of audit matters

Communication to those charged with governance

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

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, 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 Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Fund's key risks when reaching our conclusions under the Code.

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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendices

A. Audit Opinion

B: Audit opinion

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

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

We have audited the pension fund financial statements of Warwickshire County Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Warwickshire 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of Responsibilities for the statement of accounts, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes 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 2016/17, which 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the 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 in the Authority's Statement of Accounts 2016/17 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 financial statements present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2017 and of the amount and disposition at that date of the fund's assets and liabilities; and
- the pension fund financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts for the financial year for which the financial statements is prepared is consistent with the audited pension fund financial statements.

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

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

xx September 2017

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grant-thornton.co.uk

Grant Patterson
Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Date

Dear Grant

Warwickshire County Council Pension Fund
Financial Statements for the year ended 31 March 2017

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 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code') and applicable law.

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 error and 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 misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.

13 We have considered the impact of the unadjusted misstatements from the prior year and note that these would continue to have an impact on the comparator figures as stated in the financial statements. As agreed with those charged with governance last year these were not amended on the grounds of materiality.

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

15 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.

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

Information Provided

17 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.

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

19 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.

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

21 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.

22 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.

23 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.

24 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.

25 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.

26 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.

27 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 Council's Audit and Governance Committee at its meeting on 6 September 2017.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of Warwickshire County Council as administering body of the Warwickshire Pension Fund

Additional representation may need to be obtained in other areas, and should be added to as necessary, for example:

- going concern, when events or conditions have been identified which may lead to the winding up of the fund;
- confirmation of propriety of transactions [for example: no transactions have been made which are not in the interests of the fund members or the fund during the fund year or subsequently];
- confirmation of particular disclosures [for example: if not permitted, confirmation that there has been no "self-investment" in a fund employer or stock-lending];
- lack of evidence – material representations where no other evidence available, such as absence claims in connection with litigation;
- confirmations of opinions concerning matters dealt with in the financial statements.
- accounting policies – confirming most appropriate, appropriately adopted and disclosed as required by the Code

Audit & Standards Committee

6 September 2017

External Auditors Progress and Update Report

Recommendation

The Audit and Standards Committee is asked to consider and make any comments on the attached External Auditors Progress and Update Report.

1. Purpose of the Report

1.1. The purpose of this report is for our external auditors to provide a report to inform the Council's Audit and Standards Committee of their progress in delivering our responsibilities as our external auditors. The report also includes a summary of emerging national issues and developments and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

2. Background Papers

2.1. None

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<u>Local Members consulted</u>
Not applicable

<u>Other Members consulted</u>
None

Audit & Standards Committee
Warwickshire County Council
Progress Report and Update
Year ended 31 March 2017

September 2017

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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Progress at September 2017 – 2015/16 audit

2015/16 work	Completed	Comments
Overall position on the 2015/16 audit As at November 2016 we have completed all work in relation to our 2015/16 audit with the exception of: • Objection to the 2015/16 financial statements– consideration currently in underway.	Ongoing	The Council has met with the objector and is seeking to resolve the matter directly with them. We are awaiting the outcome of these discussions before determining whether there is further action we are required to take. We are seeking to resolve this before 30 September 2017 and will provide a further verbal update to the Audit and Standards Committee.

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Progress at September 2017 – 2016/17 audit

2016/17 work	Planned Date	Comments
Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	March 2017	The 2016/17 fee letter was presented to the Audit and Standards Committee in March 2017.
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016/17 financial statements.	March 2017	The 2016/17 Audit Plan was presented to the Audit and Standards Committee in March 2017.
Interim accounts audit Our interim fieldwork visit plan will include: • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment.	March 2017	We completed our interim accounts audit work between November and March 2017. No significant issues arose which we wish to bring to the attention of the Audit and Standards Committee.
Final accounts audit Including: • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17	July 2017	We have completed our audit fieldwork and our Audit Findings Report is available for presentation to the Audit and Standards Committee. We propose to issue an unqualified audit opinion.

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Progress at September 2017 – 2016/17 audit

2016/17 work	Planned Date	Comments
Value for Money (VfM) conclusion The National Audit Office Code of Audit Practice requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The overall criterion applied is that; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are: • Informed decision making • Sustainable resource deployment • Working with partners and other third parties	July 2017	We have completed our audit fieldwork and our Audit Findings Report is available for presentation to the Audit and Standards Committee. We propose to issue an unqualified VfM conclusion.

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Technical Matters

Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

Not all of the above are expected to impact on the 2017/18 financial statements but the Authority will need to assess the potential impact and the level of preparatory work necessary. We will be holding further discussions with officers on the potential impact as part of our preparations for our 2017/18 audit.

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Sector issues and developments

National Audit Office

Protecting information across government

"Protecting information while re-designing public services and introducing the technology necessary to support them is an increasingly complex challenge. To achieve this, the Cabinet Office, departments and the wider public sector need a new approach, in which the centre of government provides clear principles and guidance and departments increase their capacity to make informed decisions about the risks involved."

Amyas Morse, head of the National Audit Office, 14 September 2016

https://www.nao.org.uk/report/protecting-information-across-government/

Planning for 100% local retention of business rates

"The Department faces a significant challenge in implementing 100% local retention of business rates by 2019-20. It has benefited from the experience of delivering the 50% local retention scheme and is using this experience effectively. The key question is whether there is enough money in the system to let services be delivered on the right scale and for self-sufficiency to be seen to succeed."

Amyas Morse, head of the National Audit Office, 29 March 2017

https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/

NAO Publications

Challenge question:

- Have you read the NAO reports?

Health and social care integration

"Integrating the health and social care sectors is a significant challenge in normal times, let alone times when both sectors are under such severe pressure. So far, benefits have fallen far short of plans, despite much effort. It will be important to learn from the over-optimism of such plans when implementing the much larger NHS sustainability and transformation plans. The Departments do not yet have the evidence to show that they can deliver their commitment to integrated services by 2020, at the same time as meeting existing pressures on the health and social care systems."

Amyas Morse, head of the National Audit Office, 8 February 2017

https://www.nao.org.uk/report/health-and-social-care-integration

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Grant Thornton

Income generation

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020 that requires With further funding deficits still looming, income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency of service delivery. This report shares the insights into how and why local authorities are reviewing and developing their approach to income generation .

Our new research on income generation which includes our CFO Insights tool suggests that:

- councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.
- stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

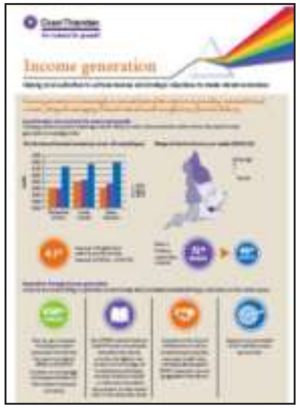
Our report helps local authorities maximise their ability to generate income by providing:

- Case study examples
- Local authority spend analysis
- Examples of innovative financial mechanism
- Critical success factors to consider

Grant Thornton publications

Challenge question:

- Have you read our income generation report?
- Is your council actively exploring options to generate income?



Our Income generation report was published on Thursday 2 March, hard copies are available from your team and via link:

http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/

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A Manifesto for a Vibrant Economy

Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a "one-size-fits all". Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breath, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government's block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality. .

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

Finding a better way to measure the vibrancy of places

When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a Vibrant Economy Index to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people's productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody's ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

Guy Clifton – Head of Local Government Advisory

Grant Thornton publications

Challenge question:

- Have you read our manifesto?

http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf

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Publications

Providing key insight and examples of best practice to local government, police, fire and rescue services.

Innovation in public financial management

Our research on international public financial management shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.

Turning up the volume

Our Business Location Index identifies the most desirable and affordable areas for investment in England, by looking at a combination of economic performance, people & skills, environment & infrastructure and cost.

Our aim is to give local authorities and LEPs the tool to better understand and market their strength and assets to increase inward investment and inform their devolution discussions.

Reforging local government

The autumn statement identified how councils will need better financial management and further efficiency to achieve the projected 29% savings. This presents a serious challenge to manage councils that have already become lean.

Our report looks at the financial challenge facing councils, the new governance agenda that will challenge traditional arrangements and expectations, and the way forward for the public sector through devolution, innovation, collaboration and cultural change.

Making devolution work

This report gets under the bonnet of the devolutionary conversations taking place between Whitehall and local government across England. It offers a practical guide to local leaders by outlining the benefits of devolution, the areas of priority to central government and the key questions that must be addressed in order to produce a successful devolution bid.

Growing healthy communities

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live.

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Audit & Standards Committee

6 September 2017

Counter Fraud, Bribery and Corruption Framework

Recommendation

That the Audit and Standards Committee considers the updated Counter Fraud, Bribery and Corruption Framework set out in this report and recommend it for Cabinet approval

1.0 Key Issues

1.1 The Council has an existing Anti Fraud and Bribery Strategy and Policy outlining the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds. Good practice requires regular reviews to ensure that changes in legislation and best practice are reflected appropriately.

1.2 It is important that Warwickshire County Council maintains high standards of probity and has a good reputation for protecting the public purse. The minimisation of losses to fraud and bribery is essential for ensuring that resources are used for their intended purpose. Sound systems of public accountability are vital to effective management and maintaining public confidence.

2.0 Options and Proposal

2.1 The Committee is asked to consider the updated Counter Fraud, Bribery and Corruption Framework (Appendix A) and recommend it for Cabinet approval.

3.0 Timescales associated with the decision and next steps

3.1 Following consideration by the Committee the proposed framework will be submitted to Cabinet on 7 September (outcomes arising from this meeting will be reported verbally). Following approval arrangements will be made to publicise the updated framework.

A formal Equality Analysis will be signed off before the meeting.

Background papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): None applicable
Other members: None applicable

Warwickshire County Council

Counter Fraud, Bribery and Corruption Framework

"Supporting a culture of openness, honesty and integrity"

1. Introduction

1.1 Warwickshire County Council has a responsibility for the provision of effective and efficient services to clients and stakeholders in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements.

1.2 The Council has a responsibility to have counter fraud, bribery and corruption arrangements in place and it is essential that the management of the risk of fraud is placed at the very top of the Council's governance arrangements.

1.3 This Framework defines the approach to managing the risk of fraud, bribery and corruption across the organisation and ensures that best practice is embedded across all services, projects and partnerships.

1.4 The Council recognises that failure to implement effective counter fraud measures can:

- Undermine the high standards of public service that the Council is attempting to achieve
- Reduce the level of resource and services available for the residents
- Result in significant consequences which reduce public confidence in the Council.

1.5 This document replaces both the previous Anti-Fraud and Bribery Policy and Anti-Fraud and Bribery Strategy.

2. Definitions

2.1 The Fraud Act 2006 provides a formal definition of fraud which, for the purposes of this Framework, can be summarised as obtaining money, property or services dishonestly by making a false or misleading representation, failing to disclose information or abusing a position of trust.

2.2 The Bribery Act 2010 has incorporated bribery and certain corruption offences into a single piece of legislation. Bribery is defined as 'an inducement or reward offered, promised or provided to someone to gain personal, commercial, regulatory or contractual advantage on behalf of oneself or another'.

2.3 The Bribery Act contains the following offences :

- The offering, promising or giving of a bribe (active bribery);
- The requesting, agreeing to receive or accepting of a bribe (passive bribery);
- The bribing of foreign public officials; and

- Failing to prevent bribery.

2.4 Corruption is the deliberate misuse of your position for direct or indirect personal gain. Corruption includes offering, giving, requesting or accepting bribe or reward, which influences your actions or the action of someone else.

3. Policy Statement

3.1 The Council is committed to carrying out business fairly, honestly and openly and has a zero tolerance to all forms of fraud including, without limitation, bribery, corruption and money laundering.

3.2 The Council recognises that a sound Counter Fraud culture is essential if a strong control framework is to be adhered to and that its Members and employees play a key role in achieving its ‘zero tolerance’ culture towards fraud and corruption. It therefore expects high standards of conduct and probity from Members and employees and requires them at all times to act honestly, with integrity and to safeguard the public resources for which they are responsible.

3.3 The Council does not, and will not, pay or accept bribes or improper inducements to anyone for any purpose nor does it wish to be associated with any organisation that does or has done so. This extends to the Council’s agents, suppliers, contractors and partners, whether such conduct is associated with business on behalf of the Council or not. The Council will not use a third party as a conduit to channel bribes to others.

3.4 The Council also expects that all individuals and organisations associated with the Council, such as contractors, partners, suppliers and users of Council services, will act with integrity and have the same high standards of probity as the Council. The Council expects all its partners, in both the private and public sectors, to establish sound and transparent governance arrangements.

3.5 The Council will actively seek to deter and prevent fraud and bribery and ensure that the associated risks are identified and managed effectively.

3.6 Where fraud or bribery is suspected or detected it will be investigated and any proven fraud dealt with in a consistent and proportionate manner. Appropriate sanctions, which may include criminal and disciplinary action, and redress will be vigorously pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or bribery against the Council.

3.7 The Council is committed to ensuring the wide circulation of this Framework in order that all relevant parties understand the very high standards which the Council is determined to observe in all its business.

4 Scope

4.1 The framework covers any fraud, bribery or corrupt activity committed against the Council by employees, agency staff, members, consultants, suppliers, partners, Warwickshire Residents and other external organisations.

4.2 All the activities that are undertaken by the Council are covered by this Framework. This not only includes direct income and expenditure but also that administered on behalf of the Government, any other body, clients and that for which it is the responsible accountable body.

5 Legislative Requirements

The Council will have full regard to all relevant legislative requirements, including without limitation to the following legislation (including any amendments or updates thereto):

- Local Government Act 1972
- Regulation of Investigatory Powers Act 2000
- Terrorism Act 2006
- Proceeds of Crime Act 2002
- Police and Criminal Evidence Act 1984
- Money Laundering Regulations 2007
- Fraud Act 2006
- Bribery Act 2010
- Public Interest Disclosure Act 1998
- Competition Act 1998
- Companies Act 2006
- Theft Act 1978

6 Approach

6.1 WCC will fulfil its responsibility to reduce Fraud, Bribery and Corruption and protect its resources by completing work in each of the following key areas:

6.2 Deterrence

WCC will promote and develop a strong counter-fraud culture, raise awareness and provide information on all aspects of its counter-fraud work. This will include publicising the results of all proactive work, fraud investigations, successful sanctions and any recovery of losses due to fraud.

6.3 Prevention

WCC will ensure strong measures are in place to prevent fraud and will ensure that new and existing systems and policy initiatives are adequately ‘fraud proofed’. The primary responsibility for the prevention and detection of fraud rests with managers throughout the organisation. They have the responsibility to manage the risk of fraud and will be supported and trained so that this responsibility is discharged effectively. The risk of fraud is considered as part of the corporate approach to risk management and Risk and Assurance will support managers by providing advice on the management of risk and design of controls.

6.4 **Detection**

Risk and Assurance considers fraud trends when developing its annual work plan, identifying relevant high risk areas on which to base both proactive counter fraud reviews and publicity campaigns. In addition, the service provides support to managers by undertaking a series of audits providing assurance on control systems including those designed to prevent and detect fraud.

6.5 **Investigation**

All reported incidents of fraud or irregularities from internal or external stakeholders or received (including via the Council's Whistleblowing Policy) will be thoroughly investigated.

6.6 **Sanctions**

Realistic and effective sanctions will be applied to individuals or organisations where an investigation reveals fraudulent activity. This may include disciplinary action as appropriate and referral to the Police for possible criminal investigation.

6.7 **Redress**

A crucial element of the Council's response to tackling fraud is seeking financial redress- the recovery of defrauded monies is an important part of the Council's strategy and will be rigorously pursued.

7 Reporting and Advice

7.1 The Council will take firm and effective action against those found guilty of fraud, corruption and bribery through sanctions and redress.

7.2 Managers must immediately inform the Chief Risk and Assurance Manager of all allegations and suspicions of possible fraud, bribery and corruption. The Chief Risk and Assurance Manager will determine in conjunction with managers the arrangements for investigating the allegation. The more complex cases will be investigated by Risk and Assurance. Minor, straight forward allegations may be referred back to the relevant Service Manager for further investigation and others may be reported directly to the police. Members of Risk and Assurance will always be available to support staff and managers where necessary.

8 Right of Access

8.1 To undertake their work internal auditors have unrestricted access to all the Authority's personnel, premises, documents, records, information and assets including those of partner organisations. This includes any data owned by the Authority, but is processed or held elsewhere by third parties. Internal auditors have authority to access all relevant computer data as part of their work, including that registered under the Data Protection Act.

8.2 Auditors are authorised to obtain the information and explanations they consider necessary from any employees, partners or agents of the Authority to fulfil their objectives and responsibilities. Managers must ensure that internal audit access is considered when preparing partnership agreements or contracts for the purchase or supply of goods and services.

9 Roles and Responsibility

9.1 The risk of fraud cannot be dealt with in isolation. The management of risk of fraud is a key aspect of corporate governance and it is essential that all members and officers (including temporary staff) should have a level of understanding of the Council's Counter Fraud, Bribery and Corruption Framework. However, some individuals and groups have specific leadership roles or responsibility and these are identified in Appendix 1.

10 Implementation

To ensure that this Framework is implemented effectively the Council will;

10.1 Identify and include fraud, corruption and bribery risks within its risk management strategy

10.2 Encourage a culture of prevention and deterrence by publishing this framework and encourage everyone to be vigilant and report any genuine suspicions of fraudulent activity

10.3 Ensure that responsibilities are clearly defined and communicated at all levels

10.4 Participate in national anti-fraud initiatives

10.5 Ensure that sound financial standards are adopted and that financial systems incorporate good controls to reduce the risk of fraud by developing and maintaining cost effective controls.

10.6 Ensure that appropriate disciplinary and legal action is taken in all cases

10.7 Consider best practice

11. Review and Monitoring

11.1 The Council will ensure that its approach to managing the risk of fraud is kept up to date with developments in best practice and regulatory requirements. The Counter Fraud Bribery and Corruption Framework will therefore be periodically reviewed and updated as necessary.

11.2 The implementation of the Council's Counter Fraud, Bribery and Corruption Framework will be subject to periodic review by the Audit and Standards Committee.

10.3 External auditors and inspectors may also have an interest in reviewing aspects of the Council's Counter Fraud, Bribery and Corruption approach.

12 Benefits

12.1 The Council's commitment to the introduction of a robust and positive Counter Fraud framework will result in:

- Consistency, fairness and objectivity in all its Counter Fraud work and that everyone is treated equally;
- Greater awareness of the risk of fraud by employees and members;
- Improved identification of fraud;
- Improved use of resources;
- Reduced level of fraud.

Appendix 1 – Roles and Responsibilities

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Council and Joint Managing Directors	Individual members have the responsibility to support and promote a counter fraud culture but collectively the Council, with the Joint Managing Directors, is ultimately accountable for the effectiveness of the Council's arrangements for preventing, detecting and investigating fraud and corruption. Members are required to operate within: • The Constitution • Legislation e.g. Fraud Act 2006 and the Bribery Act 2010 • Any locally adopted protocols aimed at supporting the Code of Conduct.
Head of Finance	Responsible for advising on financial standards to be adopted by the Council. To ensure that financial systems incorporate strong measures to reduce the risk of fraud/identify possible irregularities. To notify Risk and Assurance of all suspected financial irregularities
Monitoring Officer	To process and investigate complaints alleging breach of the Code of Conduct for councillors To advise Councillors and Officers on ethical issues, probity and standards so that the Council operates within the law and statutory Codes of Practice
Risk and Assurance	Responsible for providing Internal Audit Services, developing the Counter Fraud, Bribery and Corruption Framework and investigating any issues reported under this Framework. Risk and Assurance to determine who investigates allegations and suspicions, minor issues maybe referred to management for them to investigate with Risk and Assurance support. To ensure that all suspected or reported irregularities are dealt with and that action is identified to improve controls and reduce the risk of reoccurrence. Provide assurance that fraud risks are being managed. Provide advice on managing fraud risk and design of controls.
Audit and Standards Committee	To monitor compliance with the Council's policies and consider the effectiveness of the Council's counter fraud arrangements.
External Audit	Reviews the adequacy of the Council's arrangements for the prevention and detection of fraud, corruption, bribery and theft.
Strategic Director for People, Chief Fire Officer and Heads of Service	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Risk and Assurance. To ensure that there are mechanisms in place within their service areas (including work with other organisations and agencies) to assess the risk of fraud, corruption, bribery and theft and to reduce these risks by implementing strong internal controls.
Head of Human Resources & Organisational Development	Responsible for ensuring that effective recruitment processes are in place (i.e. safe employment checks: Immigration status is confirmed; qualifications are confirmed; written references are obtained; etc.) is in place.
All Employees, Contractors, Agency Staff and Consultants	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption, bribery and theft, and to report promptly any genuine concerns to management and internal audit, using, if necessary, the Whistleblowing Procedure. To record gifts, hospitality and personal interests in the appropriate corporate registers as soon as possible.

	To declare any personal interests on the Register of Interests. To provide information requested by internal audit
The Public and Suppliers	To be aware of the possibility of fraud, corruption and bribery against the Council and report any genuine concerns/suspicions.
Partners	Partners to have sound and transparent governance arrangements.

Item 10

Audit & Standards Committee

6 September 2017

Internal Audit – External Quality Assessment

Recommendation

That the Committee notes the appointment of Gateway Assure Limited to undertake an external quality assessment of internal audit during 2017/18 in accordance with the Public Sector Internal Audit Standards.

1 Background

1.1 Internal audit within the public sector is governed by the Public Sector Internal Audit standards (PSAIS) which have been in place since 2013 but were significantly updated from April 2017. Compliance with the standards, which build upon the Institute of Internal Auditors global standards, are mandatory for all principal local authorities.

1.2 PSIAS aims to promote continued improvement in the professionalism, quality and effectiveness of internal audit services and a key element of this is to require audit services to have a periodic external assessment of compliance with the standards once every five years as part of the internal audit quality management programme.

1.3 The assessments aim to

- Identify what internal audit are doing well
- Support continuous improvement
- Emphasise and enhance the standing of internal audit

1.4 The assessment will cover all of the service’s clients consequently this report and the outcome of the EQA will also be shared with the audit committees of those clients.

1.5 This report seeks the Committee’s endorsement of the arrangements for an EQA during Quarter 4 2017/2018.

2.0 Approach

2.1 PSIAS requires that the assessment team can demonstrate competence in two areas: the professional practice of internal auditing and the external assessment process. In addition, the assessor must not have either an actual or perceived conflict of interest and must not be part of, or under the control of, the organisation to which the internal audit activity belongs.

2.2 Proposals have been received from three organisations who meet these criteria all having very experienced assessors who have conducted a number of EQAs.

2.3 All three proposals unsurprisingly adopt a similar approach involving:

- Reviewing a self-assessment and background information provided by the head of audit. This will include review of the Audit Charter, terms of reference for the Committee, audit manual, job descriptions, audit committee papers.
- Discussion with key stakeholders including audit committee chairs, chief financial officers and customers. This may be by face to face interviews, by telephone or by electronic survey depending on the availability and number of people to be interviewed which will be determined by the assessor following the initial review of documentation.
- Detailed review of a sample of audit "files" to give an in-depth view of quality and performance of internal auditors.
- An "exit" meeting with the head of audit and project sponsor to discuss interim findings.
- Production and discussion with the head of audit and project sponsor of a draft report.
- Presentation of the findings to the Committee(s).

2.4 Similarly all three proposals demonstrate a high level of practical and theoretical knowledge and experience of internal audit and all are well qualified to undertake the work.

2.5 Since the proposals are similar in terms of approach and assessor expertise, officers have accepted the lowest priced proposal which is from Gateway Assure Limited. The assessor will be a very experienced ex-head of internal audit at a county council who has also been a national partner for internal audit at a number of accountancy / audit practices and professor of internal audit at a leading academic provider of training and research to the internal audit and risk management professions. He has personally conducted over 20 EQAs in both the private and public sectors. The assessor will be one site for a week.

2.6 PSIAS also requires that a project sponsor is agreed between the assessor and the head of audit. It is recommended that the Head of Law and Governance is the project sponsor.

2.7 The Committee will appreciate that preparation for such an intensive and important process requires good preparation. This work is being supported by an experienced EQA assessor but to ensure no conflict of interests he will play no part in the assessment.

2.8 The Committee will recall that to comply with changes to the PSIAS from April 2017 the format of the 2017/8 audit plan and the content of the Audit Charter have been updated and further work is in progress to, for example, update the audit manual and self-assessment checklist. A high level assessment by the consultant of the level of compliance that will be achieved, which shows that the service is well placed for a good outcome, is attached (Appendix A). In summary the main themes are to stabilise the staffing structure, improve consistency and continue to work on focussing plans and audits on key risks. The Committee will note that there are also a number of topics which are challenging for all audit services and which are commonly flagged as areas for improvement during assessments. We will of course continue to work on these.

3.0 Timescales associated with the decision and next steps

3.1 This report will be shared with the audit committees of our other clients at their September meetings.

Background papers

1. None

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The report was circulated to the following members prior to publication:

Local Member(s): Not applicable
Other members: Not applicable

APPENDIX - Self-Assessment against IIA standards (produced with support from Risk and Assurance Insights Ltd)

	IIA Standards (and new 2017 IPPF)	Generally Conforms	Partially Conforms	Does Not Conform	Comments
	Mission Statement & Definition of Internal Auditing				
Ref	**Code of Ethics**				
1	Integrity				
2	Objectivity				
3	Confidentiality				
4	Competence				
Ref	**Attribute Standards**				
1000	Purpose, Authority and Responsibility				
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter (per 2017 IPPF)				Audit Charter up-dated in March 2017
1100	Independence and Objectivity				
1110	Organizational Independence				
1111	Direct Interaction with the Board				
1112	CAE roles beyond Internal Audit				
1120	Individual Objectivity				
1130	Impairments to Independence or Objectivity				

APPENDIX - Self-Assessment against IIA standards (produced with support from Risk and Assurance Insights Ltd)

	IIA Standards (and new 2017 IPPF)	Generally Conforms	Partially Conforms	Does Not Conform	Comments
1200	Proficiency and Due Professional Care (The sum of *Standards* 1210-1230)				
1210	Proficiency, including trends and emerging issues				Competency and skills requirements currently being refreshed.
1220	Due Professional Care				Plans are increasingly focusing on the more complex, strategic value adding audits and advisory assignments. Need to ensure that auditors have the appropriate skills to deliver these audits and add value. Links to 1210 and 2030.
1230	Continuing Professional Development				See comments alongside 1210
1300	Quality Assurance and Improvement Programme, including board oversight therein				Work underway to generally review and strengthen processes and to improve compliance
1310	Requirements of the Quality Assurance and Improvement Programme				See comments alongside 1300
1311	Internal Assessments				Updated early 2017
1312	External Assessments				Planned for Q4 2017/18
1320	Reporting on the Quality Assurance and Improvement Programme				Up-date provided in Q2 2017/18 via this analysis
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing				n/a

APPENDIX - Self-Assessment against IIA standards (produced with support from Risk and Assurance Insights Ltd)

	IIA Standards (and new 2017 IPPF)	Generally Conforms	Partially Conforms	Does Not Conform	Comments
1322	Disclosure of Non-conformance				
Ref	**Performance Standards**				
2000	Managing the Internal Audit Activity (to ensure it adds value), including offering suggestions to enhance GRC				
2010	Planning with links to strategies, objectives and risks				Format of plans up-graded for 2017/18 to demonstrate links to strategic objectives and key risks
2020	Communication and Approval				
2030	Resource Management				Challenging because of vacancies, long term sickness and maternity leave. Work is underway to implement a more resilient structure but may not be fully embedded before EQA.
2040	Policies and Procedures				The audit manual will be up-dated for the new standards including work with the audit team around greater consistency in use of electronic working papers system.
2050	Coordination and reliance				This is an evolving field and is often an area identified in EQA reviews. Some work has already been done on linking with other assurance providers but further work needed at some clients to get a "joined up" assurance picture so some risk this will be highlighted.
2060	Reporting to Senior Management and the Board including conformance with the Code of Ethics &				

APPENDIX - Self-Assessment against IIA standards (produced with support from Risk and Assurance Insights Ltd)

	IIA Standards (and new 2017 IPPF)	Generally Conforms	Partially Conforms	Does Not Conform	Comments
	Standards				
2070	External Service Provider and Organizational Responsibility for Internal Audit				
2100	Nature of Work – to evaluate GRC using a systematic disciplined and risk based approach that offers new insights and considers future impact				An area where there is often room for improvement. Work is ongoing to ensure that plans and audits concentrate on key risks.
2110	Governance including Strategic & Operational areas and Risk Management and controls				An area where there is often room for improvement which will be further developed when preparing 2018/19 plans.
2120	Risk Management				An area where there is often room for improvement which will be further developed when preparing 2018/19 plans.
2130	Control				
2200	Engagement Planning including assignment plans, linking to strategies, objectives and risks				The majority of assignments have an engagement planning document but some more work to be done on the quality and consistency of these documents
2201	Planning Considerations linking to strategies and objectives				
2210	Engagement Objectives, including evaluation criteria				An area the IIA have generally highlighted that needs strengthening – e.g. by what criteria is efficiency and effectiveness judged? The EQA could highlight further

APPENDIX - Self-Assessment against IIA standards (produced with support from Risk and Assurance Insights Ltd)

	IIA Standards (and new 2017 IPPF)	Generally Conforms	Partially Conforms	Does Not Conform	Comments
					improvements needed
2220	Engagement Scope				
2230	Engagement Resource Allocation				
2240	Engagement Work Programme				
2300	Performing the Engagement (The sum of *Standards* 2300-2340)				
2310	Identifying Information				
2320	Analysis and Evaluation				Robust root cause analysis is an evolving area that needs to be better understood and implemented within the team. Links to 2340 and 2410.
2330	Documenting Information – sufficient, reliable, relevant and useful to support results and conclusions				
2340	Engagement Supervision				Has been challenging for the audit management team, given significant staffing issues but work is underway to increase management capacity.
2400	Communicating Results				
2410	Criteria for Communicating – to include objectives, scope and results as well as recommendations and/or action plans				An important area to ensure less repeat findings. Are audits really concentrating on key controls and is each clients' risk appetite clear.
2420	Quality of Communications				

APPENDIX - Self-Assessment against IIA standards (produced with support from Risk and Assurance Insights Ltd)

	IIA Standards (and new 2017 IPPF)	Generally Conforms	Partially Conforms	Does Not Conform	Comments
2421	Errors and Omissions				
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'				
2431	Engagement Disclosure of Non-conformance				
2440	Disseminating Results				
2450	Overall Opinions to include strategies, objectives and risks that is supported by sufficient. information				An area to look at as we approach the 2018/19 planning cycle to ensure we have appropriate coverage and are making the most of existing assurances
2500	Monitoring Progress				
2600	Resolution of Senior Managements Acceptance of Risks				

Item 11

Audit & Standards Committee

6 September 2017

Whistleblowing Policy

Recommendation(s)

1. That the Committee endorses the revised Whistleblowing Policy (Appendix D) and Essentials document (Appendix A) for onward submission to Cabinet.

1.0 Key Issues

1.1 The Policy has been updated to reflect the changes to the law on protected disclosures and the statutory Duty of Candour which applies to the County Council as a provider of care services.

2.0 Proposal

2.1 The County Council’s Whistleblowing Policy was last reviewed in October 2014. A revised policy was considered by Audit and Standards Committee on 17 November 2016 and 1 June 2017 when the Committee resolved that officers undertake more work on the policy.

2.2 The “Whistleblowing Essentials” document is intended to give people a quick guide to the Policy. The Committee in June 2017 considered it was not as encouraging as it could be and the document has been reviewed. A revised version is attached as Appendix A.

2.3 The Duty of Candour is intended to ensure that providers are open and transparent with people who use services, in relation to care and treatment. The law sets out specific requirements that providers must follow when things go wrong with care and treatment, including informing people about the incident, providing reasonable support, providing truthful information and an apology. The County Council’s Whistleblowing Policy has been revised to take account of this legislative change so that it fulfils the County Council’s obligation to encourage candour, openness and honesty in those involved in the provision of care.

2.4 The revised Policy continues to encourage the use of internal procedures to make disclosures and identifies a list of Whistleblowing Advisers from each Group of the County Council to whom staff can turn for advice or to make a disclosure if they do not feel able to discuss with their own managers. This list has recently been updated and is attached as Appendix B. The Policy also indicates that advice can be sought from Public Concern at Work.

2.5 The law on protected disclosures is governed by the Employment Rights Act 1996. This gives protection to employees from victimisation by their employer or from losing their job where they have “blown the whistle.” It also provides a list of external people/organisations (prescribed persons) to whom referrals may be made by the whistle-blower without loss of their statutory protections.

3.0 Timescales associated with the decision and next steps

3.1 The most effective way of publicising and promoting the revised code is by maximising the usage of existing channels of communication within and across Groups. At a corporate level this would include the intranet, Working for Warwickshire and the Core Brief, as well as raising awareness through Heads of Service meetings. We would aim to include publicity about the Code in our ‘Do the right thing’ intranet week in November 2017.

Background papers

1. CQC Regulation 20: Duty of Candour – guidance dated March 2015
2. Department for Business, Innovation and Skills: Whistleblowing Guidance for Employers and Code of Practice – March 2015

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The report was circulated to the following members prior to publication:
Local Member(s): n/a
Other members: n/a

Whistleblowing: The Essentials

1. What is whistleblowing?

- Whistleblowing is the reporting of suspected wrongdoing or dangers (e.g. to someone's health and safety) in relation to our activities.
- If you are an employee or other worker, such as an agency worker, and you have a serious and reasonably held concern about wrongdoing within the Council you are encouraged to come forward and voice your concern.
- The Council will not tolerate harassment or victimisation against you because you have raised a concern.
- You will be supported when you raise a concern and you can be assured that where you raise a genuine and reasonably held concern it will not affect your future career progression.
- The law gives protection against victimisation and reprisals for workers who "blow the whistle" provided they reasonably believe that the disclosure is in the public interest. More information about the types of disclosure which are protected can be found in the Council's Whistleblowing policy.
- The policy also applies to disclosures made in relation to the providers of health and adult social care under the duty of candour.
- The Whistleblowing Policy is not intended for raising concerns about your personal circumstances such as complaints about a breach of your contract of employment.

2. How to raise a concern

- Advice about how to raise a concern is available on a confidential basis from the HR Advisory Service, Whistleblowing Advisers or Public Concern at Work (an independent charity 020740 46609).
- You should normally raise your concern with your line manager (or with their line manager). If you do not feel able to do this, there are Whistleblowing Advisors within the Council you can contact directly. Their details are on the intranet.
- If your concern involves County Councillors or senior managers you can raise your concern directly with the Joint Managing Director (Resources) or the Head of Law and Governance. If you suspect fraud you can raise your concern with the Head of Finance or through the fraud hotline.

3. How the Council will respond

- We will ask you to put your concerns in writing and provide as much detail as possible so that we can decide whether there should be an investigation. Some cases may be resolved without an investigation.
- You should normally get a response from the Council within 10 working days to let you know the next steps.

- In some cases, specific procedures will apply – such as concerns related to child protection matters or cases which require investigation by Internal Audit or the Police. Cases of suspected financial impropriety should be referred to Internal Audit.

- There may be a need to seek further information from you and you might need to attend a meeting. If you do, you can bring a representative with you.

- You will be kept informed about the procedure to be followed, for example if you need to give evidence in disciplinary proceedings.

- Unless there are legal restrictions, you will generally receive feedback on the investigation of your compliant.

4. Points to note

- The Council will try to keep matters confidential, however, we cannot guarantee this and you may need to make a statement if there is a disciplinary or police investigation.

- We may consider anonymous complaints but these are far more difficult to investigate and prove. We would therefore encourage you to put your name to your concerns.

- Your concern may or may not be substantiated by an investigation. No action will be taken against you just because a concern has not been substantiated.

- If malicious or vexatious allegations are made against you, appropriate disciplinary action will be taken against the person making such allegations. Similarly if you make malicious or vexatious allegations against others you may face disciplinary action

5. Reporting Concerns to External Agencies

- If you do not feel able to raise your concern through one of our internal routes then provided you reasonably believe that your concerns are true there is a list of government approved external agencies which you can contact depending on the nature of your concern.

  https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies

- You will generally lose your right to protection if you disclose to a person or body not on the list.

- If you disclose your concerns outside of the Council, you should not disclose confidential information or make disclosures to the press. If you are not sure about where you can report your concern, you should take advice.

APPENDIX B

Warwickshire County Council

WHISTLEBLOWING POLICY - LIST OF WHISTLEBLOWING ADVISERS

Please note that you can speak to a whistleblowing advisor who is not in your Group:

Communities Group

Mark Ryder, Head of Transport and Economy
Tel : 01926 412811
e-mail: markryder@warwickshire.gov.uk

John Linnane, Director of Public Health
Tel: 01926 413705
Email: johnlinnane@warwickshire.gov.uk

Fire and Rescue

Rob Moyney, Deputy Chief Fire Officer

Tel : 01926 423231
(75 3201 if dialling from Shire Hall)
e-mail: robmoyney@warwickshire.gov.uk

People Group

Jenny Butlin-Moran, Service Development and Assurance (Children's) PPA Business Unit

Tel: Internal 58 2514 External 01926 7421514
e-mail: jennybutlinmoran@warwickshire.gov.uk

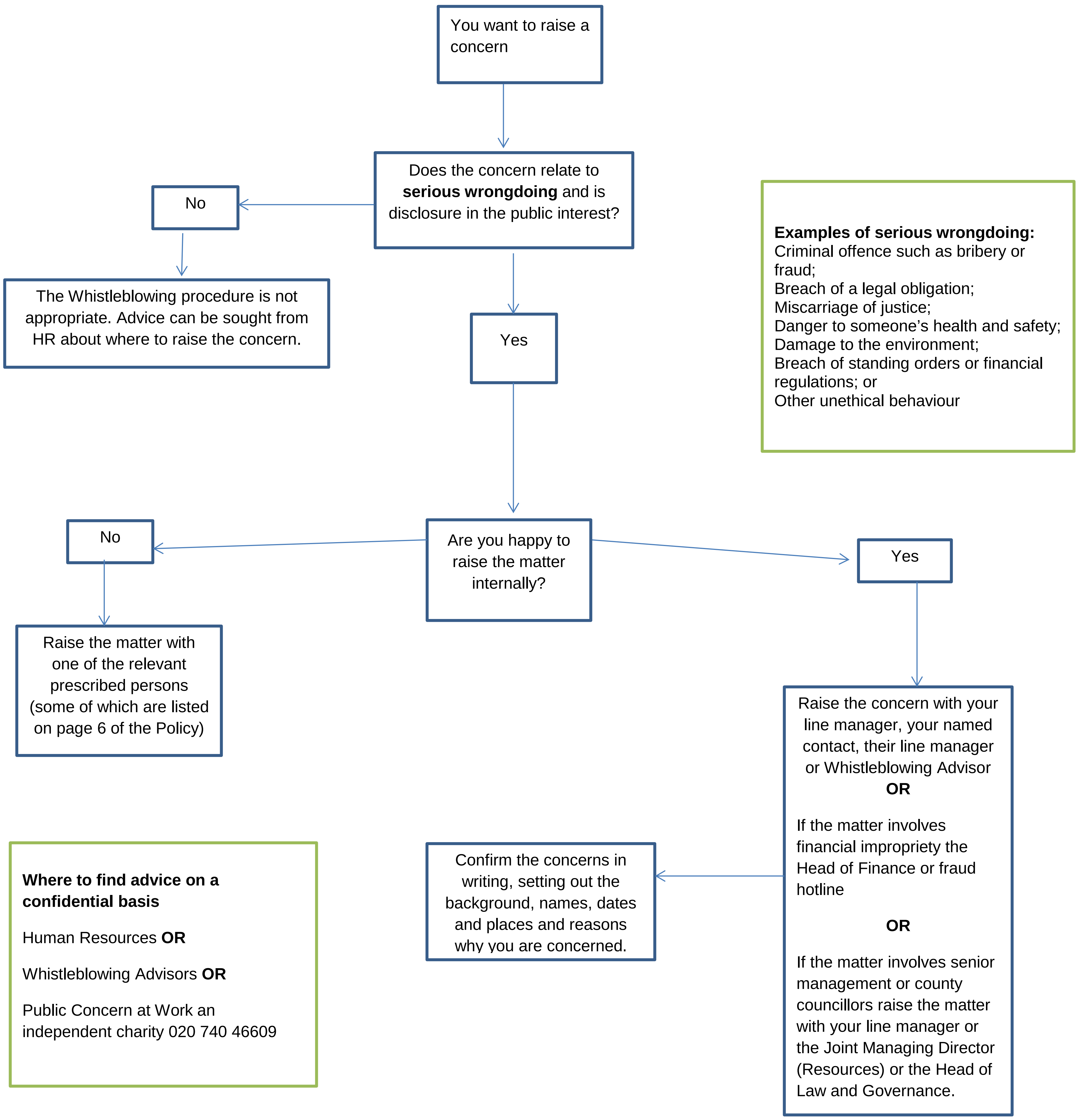
Mike J Wood, Service Development and Assurance (Adults) PPA Business Unit

Tel: Internal 58 2177 External 01926 742177
e-mail: mikejwood@warwickshire.gov.uk

Christine Lewington, Head of Strategic Commissioning
Internal: 585101, External: 01926 745101
Email: chrislewington@warwickshire.gov.uk

Resources Group
Steve M.Smith,
Head of Physical Assets
Tel : 01926 412352
Internal Email : Steve M Smith/Project Manager/PS/WarksCC External Email :
stevesmithps@warwickshire.gov.uk

Whistleblowing Flowchart



Appendix D

Warwickshire County Council
Whistleblowing Policy

- **KEY POINTS**
- **Employees and other workers are assured of protection from suffering victimisation or harassment in the workplace if they raise serious concerns about wrongdoing where this is in the public interest and they act in accordance with this policy**

1. About this policy

1.1 Warwickshire County Council is committed to the highest possible standards of openness, integrity and accountability. In line with that commitment we encourage employees and others with serious and reasonably held concerns about wrongdoing within the Council to come forward and voice these concerns at an early stage.

1.2 We would hope that in most cases employees and others would feel confident in raising serious concerns through their normal line management arrangements or other reporting arrangements. However we recognise that in a small number of cases there may be genuine concerns about possible reprisals or victimisation.

1.3 Although this policy is written for employees, the County Council recognises that it may also be applicable to other individuals such as consultants, contractors, volunteers, interns, casual workers, agency workers and secondees from other organisations. Whilst the County Council will endeavour to ensure that such workers are afforded a similar level of protection to that afforded by this policy, it must be recognised that in such cases the County Council will not have direct control over the actions of other employers.

1.4 This policy aims to:

- provide an opportunity for you to raise serious concerns and receive feedback on any action taken
- allow you to take the matter further if you are dissatisfied with the County Council's response,
- reassure you that you will be protected from reprisals or victimisation for whistleblowing where you have a reasonable belief in the accuracy of the allegations (and where raising them is in the public interest) and you otherwise follow this policy.
- put in place relevant support measures for you as an individual during the process

1.5 Regulation 20 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 introduced a Duty of Candour on providers of health and adult social care who are registered with the Care Quality Commission (CQC) to be open with patients and other service users when things go wrong. Providers must promote a culture that encourages candour, openness and honesty at all levels. Individual members of staff who are professionally registered have a separate duty of professional candour which is regulated by their respective professional regulatory bodies.

1.6 This policy is intended to promote a culture of openness and transparency and staff are encouraged to report concerns which might trigger obligations under Regulation 20, which include notifying service users, providing support and an apology where a safety incident occurs which causes harm to a service user.

1.7 This policy applies to employees disclosing information under the duty of candour who fear reprisals or victimisation in the same way as it applies to any other employees.

1.8 Disclosures which relate to the employee's personal circumstances or where there is a suspected breach of an employee's contract of employment do not fall within this policy and should be raised under the Council's Grievance Procedure, Dignity at Work Policy or Equalities Policies, as appropriate.

1.9 This policy does not form part of any employee's contract of employment and we may amend it at any time.

2. What is whistleblowing?

2.1 Whistleblowing is the reporting of suspected wrongdoing or dangers in relation to our activities.

2.2 A worker who "blows the whistle" will be entitled to the protection of the law under the Employment Rights Act 1996 ("the ERA") where he or she makes a "qualifying disclosure." The provisions cover employees, contractors, agency workers, homeworkers, some work experience students and police officers and apply where the worker discloses information in the reasonable belief that the disclosure is in the public interest and the information tends to show that any of the following has occurred or is likely to occur:

i. A criminal offence, [for example bribery or fraud];
ii. A breach of a legal obligation
iii. A miscarriage of justice
iv. A danger to someone's health and safety
v. Damage to the environment
vi. The covering up of wrongdoing in the above categories

2.3 In addition to the above, the Council has extended protection under this Policy to disclosures of serious wrongdoing that do not fall within the above categories, but which the Council nevertheless accepts are in the public interest. An employee who makes such a disclosure may not be entitled to the protection of the law under the ERA but the Council will approach their disclosure as if it did. This would apply to disclosures about serious misconduct which:

vii. Is against the Council's Standing Orders, Policies or Financial Regulations
viii. Is in breach of professional obligations
ix. Amounts to improper or unethical conduct

2.4 The above list is not exhaustive but the key requirement is that the worker must reasonably believe that the disclosure is in the public interest.

2.5 Further advice can be taken from the HR Advisory Service if you are unclear as to whether the policy is appropriate for your particular circumstances.

3. How to raise a concern

3.1 You should normally raise concerns with your immediate manager or their line manager if you feel uncomfortable in discussing the issue with someone working in close proximity to you.

3.2 Additionally, a network of Whistleblowing Advisers has been established and these Advisers are listed in a separate document, available from the HR Advisory Service or on the intranet. If you do not feel able to raise your concern with your manager or their line manager, you should approach the Whistleblowing Adviser direct.

3.3 You may choose to raise the concern in writing, but it is helpful to all concerned if an initial and informal discussion can take place in the first instance. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the wrongdoing. For example, if you believe that any county councillors or member(s) of senior management are involved, you should approach the Chief Executive or the Strategic Director of the Resources Group. In cases of financial impropriety you should approach the Head of Finance, Resources Group. If you do not feel comfortable to approach senior managers, you can approach a Whistleblowing Adviser who may escalate the matter on your behalf.

3.4 Once initial concerns have been raised, it will be important to translate these into writing. You will be invited to set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation.

3.5 The earlier you express the concern the easier it is to take action.

3.6 Although you are not expected to prove the truth of an allegation, you will need to give sufficient detail to show there are grounds for your concern.

3.7 You can get advice and guidance in confidence on how matters of concern may be pursued from:-

- the HR Advisory Service (if you are an employee) http://intranet.warwickshire.gov.uk/helpingyouwork/HR/AbouttheHRService/Pages/HRAdvisoryService.aspx

- the appropriate Whistleblowing Adviser (as shown at Appendix A)

- Public Concern at work (this is an independent charity which offers a confidential helpline on 0207404 6609 www.pcaw.org.uk)

3.8 You may invite your trade union or professional association to raise a matter on your behalf and they can be invited to participate in any future discussions between yourself and the Investigating Officer.

4. Confidentiality

4.1 The Council will do its best to protect your identity when you raise a concern and do not want your name to be disclosed. However, it must be appreciated that the investigation process may reveal the source of the information and a statement by you may be required as part of the evidence, especially if the next step is a police investigation and prosecution.

5. Anonymous Allegations

5.1 The Council accepts that employees will raise genuine concerns that are based on factual evidence or direct observation. With this in mind you are encouraged to put your name to your allegation. Concerns expressed anonymously are much less powerful and far more difficult to investigate and prove. However, they will be considered at the discretion of the County Council.

5.2 In exercising the discretion, the factors to be taken into account would include:-

- the seriousness of the issues raised

- the credibility of the concern; and

- the likelihood of confirming the allegation from other sources in the face of a flat denial from the accused person.

6. Unsubstantiated Allegations

6.1 If you make an allegation that you reasonably believe and which is based on evidence, observation or a series of unexplainable instances, but it is not confirmed by the investigation, no action will be taken against you and you will be fully supported after the event. If, however, you make malicious or vexatious allegations, then disciplinary action may be taken against you.

6.2 Equally, if malicious or vexatious allegations are made against you, the County Council will ensure that you are fully supported and that appropriate disciplinary action is taken against the person making such allegations.

7. Protection and Support for Whistle blowers

7.1 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of fear of reprisal from those responsible for the wrongdoing. The Council will not tolerate harassment or victimisation in any form and will take action and put in place support measures to protect you when you raise a concern. Disciplinary procedures are already in place to address any potential attempts at harassment or victimisation.

7.2 It is accepted by the Council that staff may feel concerned that by raising areas of concern, their future careers may be detrimentally affected. This is **not** the case, and those raising genuine and reasonably held concerns may be assured that concerns will be treated with the utmost respect and play no part in future decisions related to progress or promotion.

7.3 If you are personally already the subject of disciplinary or redundancy procedures for other reasons, whistleblowing will not usually halt these procedures but the investigating officer will take steps to satisfy themselves that the issues are not inter-related or connected in any way.

8. How the Council will respond

8.1 The action taken by the Council will depend on the nature of the concern. Initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take.

8.2 Some concerns may be resolved by agreed action without the need for investigation.

8.3 Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues, or concerns which trigger the County Council's obligations towards service users under the Duty of Candour) will normally be referred for consideration under those procedures.

8.4 Other matters raised may :-

- be referred to the Internal Auditor (in the cases of financial impropriety)

- be referred to the Police immediately where allegations of criminal conduct such as fraud are apparent

- be referred to the External Auditor

- form the subject of an independent inquiry by a nominated person or body outside of the County Council

8.5 The County Council will aim to write to you within ten working days of a concern being formalised in writing:

- acknowledging that the concern has been received

- indicating how it proposes to deal with the matter and where possible who the investigating officer(s) will be

- giving an estimate of how long it will take to provide a final response

- telling you whether any initial enquiries have been made; and

- telling you whether further investigations will take place and, if not, why not.

8.6 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

8.7 When any meeting is arranged with you, you have the right if you so wish to be accompanied by a representative from your trade union or professional association, or a workplace colleague. Your companion must respect the confidentiality of your disclosure and any subsequent investigation.

8.8 The Council will take steps to minimise any difficulties which you may experience as a result of raising a reasonably held concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure to be followed and make arrangements for you to be released from your normal duties.

8.9 The Council accepts that you need to be assured that the matter has been properly addressed. Unless there are legal constraints, you will receive feedback and information about the progress and outcomes of any investigations. You should recognise, however, that during the course of an investigation the Council may have a duty of confidentiality which will override your legitimate interest in knowing how matters are progressing.

9. How the Matter can be taken Further

9.1 This policy is intended to provide you with an opportunity to raise concerns within the Council. The Council hopes you will have confidence in using the internal procedure and do not find it necessary to approach anyone externally. If you are not satisfied, and if you feel it is right to take the matter outside the Council, then provided you reasonably believe that your allegations are true, you can make a disclosure to prescribed persons without losing your rights under whistleblowing law or this policy. The relevant prescribed person depends on the subject matter of the disclosure and the following is not an exhaustive list:

- Auditors appointed under the Local Audit and Accountability Act 2014 to audit the County Council's accounts - the proper conduct of public business, value for money, fraud and corruption. Details of the Council's auditors can be found on the County Council website at http://www.warwickshire.gov.uk/accounts

- Care Quality Commission - matters relating to the registration and provision of regulated health and social care services as defined in the Health and Social Care Act 2008.

- The Children's Commissioner – matters relating to the rights, welfare and interests of children

- Comptroller and Auditor General - The proper conduct of public business; value for money, fraud and corruption in relation to the provision of public services

- Environment Agency – matters affecting the environment or the management or regulation of the environment, including pollution and flooding.

- Health and Safety Executive or local authorities which are responsible for the enforcement of health and safety legislation - matters which may affect the health of safety of any individual at work or member of the public in connection with the activities of persons at work.

- Information Commissioner's Office - compliance with the requirements of legislation relating to data protection, freedom of information and environmental information law.

- Ofsted – matters relating to the registration of children's homes and care homes and the inspection of education and children's services

- A Member of Parliament

A complete list of prescribed persons under the Employment Rights Act and the types of matters which may be disclosed to them can be found at https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2

9.2 If you choose to disclose to an external contact (other than a prescribed person) without first having raised your concerns internally, you will lose your right to protection under the law or under this Policy unless you can meet the following conditions:-

- You reasonably believe the information or allegation is true
- You are not motivated by personal gain
- In all the circumstances, it is reasonable for you to make the disclosure and either:
    a. You reasonably believe that if you disclose the information to the Council you will be subject to victimisation; OR
    b. You reasonably believe that if you disclose the information to the Council, it will be covered up and there is no internal person to whom you can make the disclosure; OR
    c. The relevant failure is of an exceptionally serious nature.

9.3 If you do take the matter outside the Council, you need to ensure that you do not disclose information which is either confidential or exempt from disclosure. This means that you must not, for example, disclose confidential committee reports, other confidential documents or confidential information that relates to clients and customers. If you are not sure whether information is considered to be confidential, you should check with one of the contact points listed at 3.7.

9.4 The Council will have regard to the identity of the person to whom you make the disclosure in determining whether it is reasonable for you to take the matter outside the Council. A disclosure to the media is unlikely to be regarded as reasonable.

10. The Responsible Officer

10.1 The Joint Managing Director (Resources Group) has overall responsibility for the maintenance and operation of this policy and will report as necessary to the County Council. A record of concerns raised within the County Council and the outcomes (in a form which does not endanger your confidentiality) is being created as a single register incorporating whistleblowing complaints made to Whistleblowing Advisers and managers in accordance with this policy and it will be maintained within Law and Governance. In schools, Governing Bodies are responsible for their own whistleblowing policies and for maintaining their own register of whistleblowing concerns.

Audit and Standards Committee
Work Programme 2017/18

Item	Lead Officer	Date of next report
Annual Governance Statement 2016/17	Garry Rollason	September 2017
Statement of Accounts 2016/2017	Virginia Rennie	September 2017
External Auditors Annual Governance Report 2016/2017	Virginia Rennie	September 2017
External Auditors Progress and Update Report	Virginia Rennie	September 2017
Draft Counter Fraud, Bribery and Corruption Framework	Garry Rollason	September 2017
Warwickshire Pension Fund Statement of Accounts & Annual Governance Report 2016/17	Mathew Dawson	September 2017
EQA Report	Garry Rollason	September 2017
Annual Audit Letter 2016/17		November 2017
External Auditors Progress and Update Report	Virginia Rennie	November 2017
External Auditors Progress and Update Report	Virginia Rennie	February 2018

Last Updated 29th August 2017