Audit & Standards Committee

25 July 2018

Agenda

The Audit and Standards Committee will meet in **Committee Room 2, Shire Hall, Warwick** on **25 July 2018** at **10:00 a.m.**

1. General

(1) Apologies

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

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

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

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

(3) Minutes of the Audit and Standards Committee meeting held on 24th May 2018 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 24th May 2018 and Matters Arising

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

4. External Auditor's Governance Report 2017/18

The Committee is asked to endorse the Audit Findings Report of the External Auditors for Warwickshire County Council and approve the wording of the Letter of Representation.

5. Annual Governance Statement 2017/18

The Committee is asked to endorse the Annual Governance Statement for 2017/18 prior to submission to Council on 26th July.

6. Statement of Accounts 2017/18

The Committee is asked to consider the 2017/18 Statement of Accounts and recommend them to Council for approval.

7. Pension Fund Statement of Accounts 2017/18

The Committee is asked to consider the 2017/18 Pension Fund Statement of Accounts and recommend them to Council for Approval.

8. School Monitoring and Governance Arrangements

The Committee is asked to note the safeguards which support schools to have appropriate governance and assurance arrangements in place.

9. Annual Report

The Committee is asked to approve its annual report 2017/18 before submission to Council.

10. 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:

- 29th November 2018
- 28th March 2019

11. Any Other Business

Membership of the Audit and Standards Committee

Councillors: Parminder Singh Birdi, Andy Crump, Bill Gifford, John Holland, John Horner and Jill Simpson-Vince

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
July 2018

Minutes of the meeting of the Audit and Standards Committee
held on 24 May 2018

Present

Members:
Councillors Parminder Singh Birdi, Mark Cargill, Andy Crump, Bill Gifford, John Holland, and Jill Simpson-Vince

Independent Members:
John Bridgeman CBE
Bob Meacham OBE

Officers:
Sarah Duxbury, Head of Law and Governance and interim Head of HROD
Ben Patel-Sadler, Democratic Services Officer
Virginia Rennie, Strategic Finance Manager
Garry Rollason, Chief Risk and Assurance Manager

External Representatives:
Grant Patterson, Grant Thornton – Auditors

1. General

(1) Apologies

Apologies had been received from Councillor John Horner, John Betts, Head of Finance and Andrew Reid, Grant Thornton – Auditors. Andrew Reid would be leaving Grant Thornton in the near future – the Committee wished to place on record their thanks to Andrew for all the work he had completed during his time working alongside the Council.

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

Councillor Andy Crump declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

Councillor John Holland declared a non-pecuniary interest as a member of the Local Government Pension Scheme.

Councillor Bill Gifford declared a non-pecuniary interest as a member of the Pension Fund Investment Sub-Committee.

(3) Minutes of the meeting of the Audit and Standards Committee held on 29 March 2018 and Matters Arising

At page two of the minutes Councillor Holland expressed a view that there were similarities between Warwickshire and Northamptonshire County Councils. Councillor Holland sought assurances that Warwickshire would not be exposed to similar problems that had been encountered at Northamptonshire.

Members expressed a view that the Council was proactive in terms of appropriately managing its resources. The Committee noted that the Council's reserves were monitored regularly and were reported to Cabinet each quarter.

John Bridgeman CBE (Chair) noted that it was the role of the Committee to assess the effectiveness of the Council's control and assurance arrangements supported by the work of internal and external audit.

Grant Patterson, Grant Thornton – Auditors informed the Committee that it was his view that Northamptonshire County Council had received sufficient and timely warnings from their external auditors in terms of the management of their resources. Grant Patterson would circulate further information in relation to the lessons learned following the situation at Northamptonshire.

Grant Patterson assured the Committee that the external audit process had not identified any concerns for Warwickshire County Council in relation to the existing governance arrangements (related specifically to the management or resources).

Members noted that the external auditors were in regular contact with senior officers from the Council. If the external auditors identified any areas of concern, these would be raised with the relevant Council staff and Members as appropriate.

Sarah Duxbury, Head of Law and Governance informed the Committee that work was underway nationally, involving councils and CIPFA, to analyse the lessons learned from the situation arising at Northamptonshire and the Head of Finance was linked into this work. The Committee asked officers to consider how best members may be briefed on the outcome of this work in due course.

Virginia Rennie, Strategic Finance Manager informed the Committee that John Betts, Head of Finance had facilitated briefings for relevant Council staff to clarify the lessons learned following the situation at Northamptonshire County Council. Members noted that briefings had also been provided to senior officers in lieu of the release of the LGA Peer Review Report in relation to Northamptonshire County Council.

In relation to page five of the minutes, members noted that the response to the Committee on Standards in Public Life consultation (review of local government ethical standards) had not yet been published, the consultation closing date having been 18th May. Members were interested to see if any reference to vexatious behaviour towards elected members would be included in the consultation results. Sarah Duxbury informed members that if members had any concerns around vexatious complaints, then they should be raised directly with her and/or the Council's legal team.

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

2. Reports Containing Confidential or Exempt Information

Resolved

That members of the public be excluded from the meeting for the item 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 meeting held on 29 March 2018

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

4. Exempt Internal Audit Progress Report

Resolved

That the Committee considers the results of internal audit work completed.

5. Internal Audit - External Quality Assessment

Garry Rollason, Chief Risk and Assurance Manager introduced the report and informed the Committee that the external quality assessment had concluded that the internal audit service was compliant with the Public Sector Internal Audit Standards.

Members noted the positive outcome from the assessment and in particular that the internal audit service was outperforming other local government internal audit services in several areas.

The assessment had indicated that internal audit's risk based planning and reporting processes were effective and compliant with the required standards.

Garry Rollason informed the Committee that the assessor had made a number of suggestions for further improving the service and these would be considered.

The Committee recognised the importance of effective pre-employment checks taking place. Members noted that the implementation of a new system would result in improvements being made in this area.

Members noted that the assessment had taken place over the course of one week and involved interviews with the Section 151 officer and chair of the audit committee of all the Service's clients. The feedback from these interviews combined with the results of post audit questionnaires was very positive which demonstrated the good working relationship between internal audit and clients. Garry Rollason informed the Committee that the process had been a rigorous one with the internal audit team providing the assessor with a great deal of information before the physical inspection began and this included the detailed review of a sample of audits undertaken by the Service.

The Committee wished to place on record their congratulations to Garry Rollason and the internal audit team for the success of the assessment.

Resolved:

That the Committee notes the outcome of an External Quality Assessment of the internal audit service.

6. Internal Audit Annual Report 2017-18

Garry Rollason, Chief Risk and Assurance Manager introduced the report and informed the Committee that this was a summary of the work that had been completed throughout 2017-18.

The Committee were pleased that the overall audit annual opinion had improved since 2016-17.

Members expressed a view that it would be helpful if an additional paragraph could be added at appendix A to explain that action was being taken to address the issues highlighted in limited opinion audits before the report was published online.

Resolved

That the Committee noted the results of internal audit work completed during 2017-18 and the annual audit opinion.

7. Annual Governance Statement 2017-18

Sarah Duxbury, Head of Law and Governance introduced the report and informed the Committee that it was a statutory requirement to produce an annual governance statement.

Members noted that drafts of the document had been previously commented on by senior officers and would be shared with the external auditors for review.

There was one minor amendment to be made to the report – at page 9 (final paragraph) the sentence should read ‘substantial’ assurance and not ‘moderate’ assurance.

Members noted that the Annual Governance Statement was subject to review from the external auditors. Any changes to the documents suggested by external auditors following their audit of the accounts would be considered at the July 2018 Audit and Standards Committee meeting prior to formal approval by full Council.

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

8. Internal Audit Plan 2018/19

Garry Rollason, Chief Risk and Assurance Manager introduced the report and informed the Committee that the Council's senior officers had been consulted in relation to the proposed internal audit plan for 2018/19.

The Committee noted that the Council's Corporate Risk Register had been taken into account during the production of the 2018/19 internal audit plan and the links between the risks in the register and proposed audits were outlined in the report.

Gary Rollason informed the Committee that he had produced a plan that could be delivered with the resources available to the internal audit team.

Taking into account the positive outcome from the external quality assessment, members commented that this provided a sound platform for the internal audit team to offer their services to other local authorities, subject to the availability of resources and a viable business case.

Resolved

That the Committee:

1) approves the proposed plan; and

2) note that no changes are currently required to the Audit Charter.

9. Work Programme and Future Meeting Dates

The Committee noted the items for consideration at future meetings and the future meeting dates.

10. Any Other Urgent Business

None

The Committee rose at 11.40 a.m.

…………………………..
Chair

Item 4

Audit & Standards Committee

25 July 2018

External Auditor's Governance Report 2017/18

Recommendation

The Committee:

1) Endorses the Audit Findings 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 2017/18 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 26 July 2018.

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

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Grant Thornton

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

Audit Findings

Year ending 31 March 2018

Warwickshire County Council

12 July 2018

Contents

Your key Grant Thornton team members are:

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Headlines

This table summarises the key issues arising from the statutory audit of Warwickshire County Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion: • the Council's financial statements give a true and fair view of the Council’s financial position and of the group and Council’s expenditure and income for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS), Pension Fund Accounts and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Subject to outstanding matters being resolved, we anticipate issuing an unqualified audit opinion following presentation of this report to the Audit & Standards Committee meeting on 25 July 2018 and approval of the financial statements by the Council on 26 July 2018, as detailed in Appendix E. These outstanding items include: • receipt of management representation letter; and • review of the final set of financial statements. We have concluded that the other information published with the financial statements, which includes the Pension Fund Accounts, Annual Governance Statement and Narrative Report, are consistent our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council’s value for money arrangements. We have concluded that Warwickshire County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 18.
Statutory duties	The Local Audit and Accountability Act 2014 (‘the Act’) also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties in respect to the 2017/18 financial year. We have completed the majority of work under the Code, however, we do not expect to be able to certify the conclusion of the audit yet as: • We are required to give an opinion on the consistency of the pension fund financial statements of the Council included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Council has not prepared the Pension Fund Annual Report at the time of this report and we have yet to issue our report on the consistency of the pension fund financial statements. • We have issued provisional reviews in respect of two objections related to the 2015/16 accounts and are awaiting responses. Once these are resolved we will conclude the audits. Further details are noted on page 12.

Acknowledgements

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.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit & Standards Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. For 2017/18 we determined that group accounting was not required on the grounds of materiality; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following presentation of this report to the Audit & Standards Committee meeting on 25 July 2018 and approval of the financial statements by the Council on 26 July 2018, as detailed in Appendix E. These outstanding items include:

- Completion of payroll reconciliation testing;
- Completion of journal testing;
- receipt of management representation letter; and
- review of the final set of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remain the same as reported in our audit plan.

	Amount (£m)	Qualitative factors considered
Materiality for the financial statements	14.351	Based on a proportion of forecast gross expenditure (1.8%) for the financial year. In the prior year we used the same benchmark.
Performance materiality	10.764	Quality of financial systems and processes and the nature of the Council's income and expenditure streams. Quality of accounts and working papers in previous years and level of amendments arising from audit process.
Trivial matters	0.717	
Materiality for specific transactions, balances or disclosures	0.1	Lower materiality applied to remuneration disclosures due to their sensitive nature and public interest.

Significant audit risks

Risks identified in our Audit Plan	Commentary
❶ **Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have rebutted this risk due to nature of the revenue streams within Warwickshire County Council.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition. • opportunities to manipulate revenue recognition are very limited. • the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable. Therefore we did not consider this to be a significant risk for Warwickshire County Council.
❷ **Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • reviewed the journal entry process and the control environment around journal entries • obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness • evaluated the rationale for any changes in accounting policies or significant unusual 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 entries has not identified any significant issues.
❸ **Valuation of property, plant and equipment** The Council revalues its land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.	We have undertaken the following work in relation to this risk: • Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Consideration of the competence, expertise and objectivity of any management experts used. • Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are 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 has satisfied themselves that these are not materially different to current value. Our work has not identified any significant issues in respect of this risk.

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Significant audit risks

	Risks identified in our Audit Plan	Commentary
4	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	**Auditor commentary** We have undertaken the following work in relation to this risk: • Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation was carried out. • Undertook procedures to confirm the reasonableness of the actuarial assumptions made. • Tested accuracy of data provided to the actuary. • Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. Our work has not identified any significant issues in respect of this risk.
5	**Implementation of new payroll system** Payroll expenditure represents a significant percentage (35%) of the Council's operating expenses. The Council is rolling out a new payroll system during 2017/18. As a key change to a material financial system we will need to ensure we obtain sufficient assurance on the effective operation of the system throughout 2017/18.	We have undertaken the following work in relation to this risk: • Documented of our understanding of the processes and key controls for payroll. • Documented of our understanding of the management of the changeover process. • Reviewed monthly payroll figures produced by the payroll system in the periods before and after the date of changeover and investigation of any significant variances. • Performed of analytical procedures on the total payroll figures for 2017/18. Our work has not identified any significant issues in respect of this risk.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
6	**Employee remuneration** Payroll expenditure represents a significant percentage (35%) of the Council's operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness. • gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls. • performed substantive analytical procedures, disaggregated by month. • obtained year-end payroll reconciliations and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigated significant adjusting items. • agreed payroll related accruals to supporting documents and reviewed any estimates for reasonableness. Our audit work has not identified any significant issues in relation to the risk identified.
7	**Operating expenses** Non-pay expenses on other goods and services also represents a significant percentage (65%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls. • reviewed the accruals process. • tested a sample of operating expenses recorded in year. • tested the completeness of the subsidiary system interfaces and control account reconciliations. • tested a sample of year end creditor balances. • tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period. Our audit work has not identified any significant issues in relation to the risk identified.

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Other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

	Issue	Commentary	
1	**Application of Indices to Assets not revalued in year** • The Council holds £100.2m of land and buildings assets which have not been subject to formal valuation in 2017-18. A large proportion of these, £87.3m, were last valued in 2013-14. • The Council have calculated the potential impact on the carrying value of the assets using indices provided by their internal valuers which indicate a potential understatement in assets valuation of £2.5m. In determining the appropriate indices for use the internal valuers have considered a number of factors including geographic location and asset type (land or building, commercial or residential, smallholdings).	We have considered: • the use of the indices used by the Council; and • have compared these to independent indices provided to Grant Thornton by Gerard Eve, as independent valuers. Application of the indices provided by Gerard Eve indicate a potential understatement of £8.8m. The Council's entire asset base (excluding schools) will be revalued in 2018/19 in line with its five year revaluation policy.	**Auditor view** This difference is not material and is below our expectation of tolerable error. A full revaluation is due in 2018-19. We are therefore satisfied that the estimate is a result of applying an appropriate estimation technique and are not minded to challenge the Council's estimate as being unreasonable.

Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary	
1	Group Accounting	During 2017/18, the Council created two new Local Authority Trading Companies (LATC's) which are wholly owned by the authority. As part of the accounts production process the Council was required to consider whether it should produce Group financial statements for the 2017/2018 Statement of Accounts. It considered the arrangements in place for both entities for 2017-2018 and concluded that it would not be required to complete Group Financial Statements in line with the CIPFA Code of Practice on Local Authority Accounting having due regard for materiality. The Council's assessment concluded that both of the LATC's trading in the financial year 2017-2018 had combined external turnover significantly below an expected materiality level of £14.3m or any other consideration that would materially affect any single item in the primary financial statements.	**Auditor view** We have considered managements assessment and concur with the conclusions reached for 2017/18. The Council will need to update its assessment for 2018/19 based on the actual turnover achieved.
2	Valuation of PPE Assets held at Depreciated Replacement Cost	The audit findings for the year ended 31 March 2017 highlighted that Council's internal valuations team had not considered building indices/tender prices when assessing the potential for material movements in the current value of assets held at depreciated replacement cost (DRC), such as school buildings. In January 2018, the Council's internal valuers reviewed the BCIS tenders indices and applied these to DRC building values. After further review, the Council determined that it would appoint external valuers to carry out a full valuation of all school land and buildings in 2017/18 and included this valuation in the accounts.	**Auditor view** The move to a formal valuation by an independent valuer removed the requirement for a review of indices in the assessment of DRC assets not valued in in-year.

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Accounting policies

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 to a de minimus level for non-system generated accruals of £50,000. We do not expect the effect to be material to the overall position. • 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 in place.	● (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 are considered appropriate under the accounting framework in place.	● (Green)
Other critical 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 be open to challenge by regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

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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 four cases currently under investigation by the Council but are satisfied that the impact of these cases 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	**Significant difficulties**	We have not encountered any significant difficulties in the completion of our audit that we need to bring to your attention.

DRAFT

Other responsibilities under the Code

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

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix E
2	**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 Council acquired in the course of performing our audit, or otherwise misleading.
3	**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 £500m 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 and plan to carry this out in August 2018 to meet the end of August 2018 deadline.
4	**Certification of the closure of the audit**	We do not expect to be able to certify the completion of the 2017/18 audit of Warwickshire County Council in our auditor's report, as detailed in Appendix E as we are: • awaiting the preparation of the Pension Fund's Annual Report upon which we are required to issue a 'consistency opinion', • yet to complete our work on the Council's Whole of Government Accounts Return; and • finalising our work, having issued provisional views, in respect of two objections received in relation to prior year accounts under sections 26 and 27 of the Act.

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	**Objections to Prior Year Accounts**	• We received two highways related objections on prior year accounts. At the time of presenting this report we have issued provisional reviews. Once we have received and considered any further representations from the objector we will finalise our conclusions.

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Value for Money

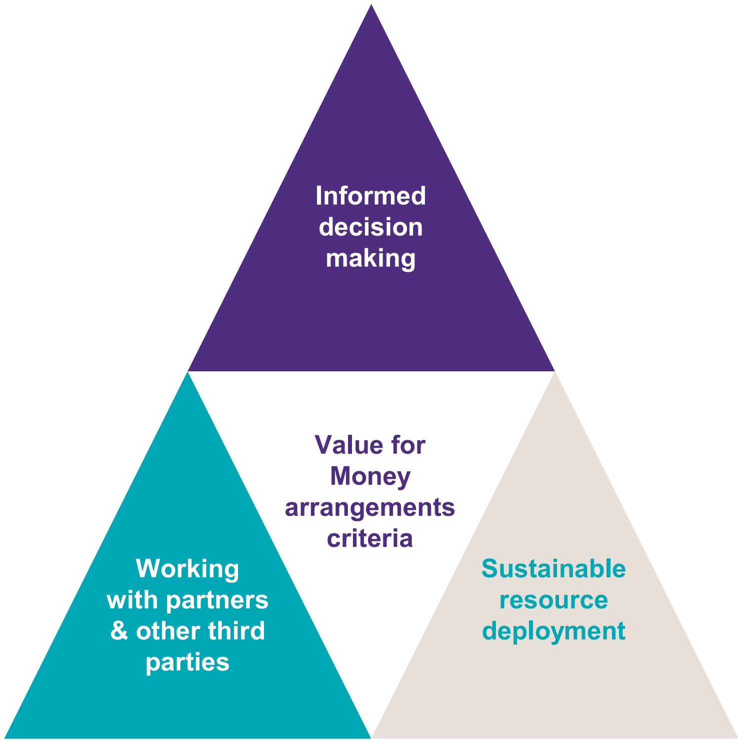
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2018 and identified a significant risks in respect of a specific area of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 29 March 2018.

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.

We carried out further work only in respect of the significant risk 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.

DRAFT

Value for Money

Our work

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 risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council has a "One Organisation Plan 2017-2020" in place which identified the need to make significant savings. The Council has a good track record of savings delivery for the previous One Organisational Plan 2014-2018 but the update to 2020 in 2017 identified the need for a further £67m of savings by 2020.

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 16 to 18.

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 E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendation for improvement in terms of reporting at outturn against original budget. Our recommendation and management's response to this can be found in the Action Plan at Appendix A.

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.

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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	Findings	Conclusion
1	The Council has a "One Organisation Plan 2017-2020" in place which identified the need to make significant savings. The Council has a good track record of savings delivery for the previous One Organisational Plan 2014-2018 but the update to 2020 in 2017 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 2018/19 budgets • progress made in identification and agreement of plans to deliver savings of £67m by 2020 • outturn against the plan for 2017/18 and progress made in 2018/19 by the date of the issue of our opinion.	• The Council continued its strong historical record in financial control by delivering services within budget in 2017/18 and set a balanced budget for 2018-19 in line with requirements. • The Council's General Fund reserve remains healthy. At the start of 2017/18 the Council held reserves of £133.395 million. With the approved in-year use of reserves and the effect of outturn, reserves increased to £146.801 million. • The Council has reviewed the level of reserves and considers that they are consistent with Business Units/Directorates plans for managing the financial risks and demands facing services over the next two years. • At the end of 2018/19 General Reserves are expected to be £27.273 million. This is £8.773 million above the £18.500 million minimum specified by the Head of Finance in his risk assessment when the 2018/19 budget was set. • The Council is currently maintaining an over borrowed position. This means there is no current need for capital borrowing (the Capital Financing Requirement). Based on the estimates of medium term capital expenditure, the Council's gross borrowing covers the Capital Financing Requirement until 2020/21. • The Council reported achieving savings of £29.225 million (91.5%), against the Authority's 2017/18 target of £31.935 million. The shortfall is now forecast to be delivered by the end of the OOP 2020. • The outturn against plan was an under-spend against revenue budgets in 2017/18 of £8.359 million (3.3%). • The Council is reporting that it is on-track with its 2018-19 budget plan as at month 2 with income in line with budget and expenditure below budget profile.	**Auditor view** Overall our work concluded that the Council has appropriate arrangements for delivering economy, efficiency and effectiveness. The Council's overall financial position remains challenging, given the level of savings that it needs to find in order to set balanced budgets in future years.

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Value for Money- Financial Resilience & Going Concern

Our responsibility

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) 570).

Financial Resilience & Going concern commentary

Management's assessment process

Management have carried out a written assessment which confirms:

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Council’s ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date.
- The Council monitor our cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 12 months. These cash flow forecasts covering over 14 months from July 2018 do not indicate any material uncertainty relating to the Council’s continuing ability to meet financial obligations.
- The Council has a strong balance sheet, with net assets of £243 million, net current assets of £226 million and cash and cash equivalents of £190 million.

Auditor commentary

The CIPFA Code of Practice 2017/18 Code, paragraph 3.4.2.23, states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future".

The presumption in local government is therefore that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as:

- announcement to wind up the authority.
- failure to set a balanced budget.
- external assessment concludes unsustainable.
- financial plans show unable to meet obligations for foreseeable future.
- significant doubts over forward financial planning arrangements.

Management’s assessment has considered these areas and concluded that no material uncertainty in respect of going concern exists.

In addition, based on our own knowledge of the Council we are aware that the Council has set an approved budget for 2018/19 and has a longer term financial plan (One Organisational Plan). The going concern assessment includes a cash flow forecast to September 2019, which is one year and two months from date of signing. The cashflow forecast does not indicate any signs of significant financial difficulty that would cause concern.

As such we consider that the assessment undertaken by the Council on going concern is a reasonable and valid one and there are no indications of material uncertainty.

Value for Money- Financial Resilience & Going Concern

Our responsibility

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) 570).

Financial Resilience & Going concern commentary

Work performed

We reviewed management's written assessment of going concern including the cash flow forecast to September 2019. We reviewed the month 2 financial and performance monitoring dashboard.

We undertook an exercise to compare the unaudited 2017/18 accounts for county councils to benchmark their reserves positions.

Warwickshire County Council - benchmarking of reserves relative to other County Councils

Measure *	Warwickshire County Council	Average for County Councils in England	Ranking relative to other County Councils in England
Unrestricted general fund reserves as at 31 March 2018 (£m)	29,300	24,456	7 / 27
General fund and non-schools earmarked general fund reserves as at 31 March 2018 (£m)	133,400	143,561	12 / 27
General fund and earmarked general fund reserves as at 31 March 2018 (£m)	146,900	167,747	15 / 27
Total usable revenue and capital reserves as at 31 March 2018 (£m)	148,300	226,679	20 / 27
General fund and earmarked general fund reserves as a percentage of gross service revenue	16.5%	13.7%	9 / 27

* Based upon unaudited financial statements as at 31 March 2018

Auditor commentary

- Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.
- The Council has a positive balance sheet position with usable reserves of £148.2m and cash of £190.3m plus short term investments of £93.8m compared to current liabilities of £122.7m.
- The Council only has PWLB debt and there is no requirement to borrow further to meet any immediate liabilities falling due.
- The Council set a budget in line with local government requirements for 2018-19.
- The Council is reporting that it is on-track with its 2018-19 budget plan as at Month 2 with income in line with budget and expenditure below budget profile.
- Our benchmarking of reserves identified that overall the Council has a reserves position which is broadly at the average or mid-point based on a comparison of 27 County Councils. This would indicate a reasonable financial position given the future risks identified in the One Organisation Plan.
- We considered the Council's internal financial reporting and noted that committee reports report quarterly against the revised budget position, which is considered good practice. We note the Council's recent introduction of monthly finance and performance dashboards, which include the original baseline budget, as an improvement to the clarity of reporting. The Council should consider extending this to the revenue and capital reporting as part of its annual reporting process.

Concluding comments

Auditor commentary

We propose to issue an unmodified opinion for 2017/18.

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Independence and ethics

Independence and ethics

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	£	Threats	Safeguards
Audit related			
• Certification of Teachers Pension return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £94,539 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
• CFO Insights	0*	Self-Interest (because this is a recurring fee)	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. 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 all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms are included in our Audit Findings Report at the conclusion of the audit.

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Action plan

We have identified one recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. 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.

	Assessment	Issue and risk	Recommendations
1	● (Low)	We considered the Council's internal financial reporting and noted that committee reports report quarterly against the revised budget position, which is considered good practice. We note the Council's recent introduction of monthly finance and performance dashboards, which include the original baseline budget, as an improvement to the clarity of reporting. The Council should consider extending this to the revenue and capital reporting as part of its annual reporting process.	The Council should consider extending reporting against baseline budget to both revenue and capital reporting as part of its annual reporting process. **Management response** Reporting against baseline budget has been introduced in 2018/19 against capital projects and will be considered for revenue monitoring.

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Warwickshire County Council's 2016/17 financial statements, which resulted in one recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented our recommendation.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
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.	This recommendation was superceded by the Council's change in approach for 2017/18 for assets held at depreciated replacement cost. The Council employed independent valuers, Bruton Knowles, to undertake a full revaluation of all schools land and buildings held on the Council's balance sheet. This resulted in a net downward revaluation of £90.1m.

Assessment

✓ Action completed

X Not yet addressed

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Fees

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

Audit 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. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

Fees for other services	Fees £
Audit related services: • Certification of Teachers Pension return	4,200
Non-audit services • CFO Insights	0*
	4,200

Teachers Pension Scheme - 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.

* 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.

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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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Warwickshire County Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, , the Balance Sheet, the Cash Flow Statement, a Statement of Accounting Policies, Notes to the Core Financial Statements, and include the Firefighters' Pension Fund financial statements comprising the Fund Account, the Firefighters' Pension Fund Net Assets Statement and Note to the Firefighters' Pension Fund Statements. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Head of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Head of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Head of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities [set out on page8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance. 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 2017/18, which give a true and fair view, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit & Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - *Delay in certification of completion of the audit*

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have:

- given an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2018. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements;

- completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018; and

- completed our consideration of objections brought to our attention in prior years by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

[Signature]

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

The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

25 July 2018

DRAFT

Grant Thornton

Appendix B

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

Dear Sir/Madam,

Warwickshire County Council
Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Warwickshire County Council for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements are presented fairly in all material respects, in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii 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.

iii 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 any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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

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

vi 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) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

vii 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.

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

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

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

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

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

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

Information Provided

xiv We have provided you with:

a) access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;

b) additional information that you have requested from us for the purpose of your audit; and

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

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

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

xvii 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.

xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a) management;
b) employees who have significant roles in internal control; or
c) others where the fraud could have a material effect on the financial statements.

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

xx 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.

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

xxii 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

xxiii 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

xxiv 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 25th July 2018.

Yours faithfully

Name	John Cooke
Position	Chair of the Council
Date	25th July 2018

Name	John Betts
Position	Head of Finance
Date	25th July 2018

Signed on behalf of the Council

Item 5

Audit & Standards Committee

25 July 2018

Annual Governance Statement 2017/2018

Recommendation

That the Committee endorses the Annual Governance Statement for 2017/18 prior to submission to Council on 26th July.

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 May meeting of the Committee. The draft statement, as presented, was endorsed by the Committee and was then shared with External Audit. They have requested some additions related to the Pension Fund and pooling arrangements, which are highlighted on the updated draft AGS attached **(Appendix 1)**.

1.3 The draft AGS will also be considered by Cabinet on 24 July, with any outcomes arising from that meeting being reported verbally to this meeting.

1.4 The Committee is asked to confirm that the proposed AGS 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.

1.5 Following consideration by the Committee and Cabinet the AGS will be submitted to Council on 26 July.

Background papers

None

	Name	**Contact Information**
Report Author	Garry Rollason Internal Audit and Insurance 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

Annual Governance Statement

Year ended 31 March 2018

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2017/18

Contents

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, 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 its Code of Corporate Governance and also meets the requirements of the Accounts and Audit Regulations 2015. It also covers the governance control and risk management arrangements of the Warwickshire Local Government Pension Scheme and Firefighters' Pension Scheme.

2. The aim of the governance framework

The framework allows us to monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us deliver appropriate services that demonstrate value for money.

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

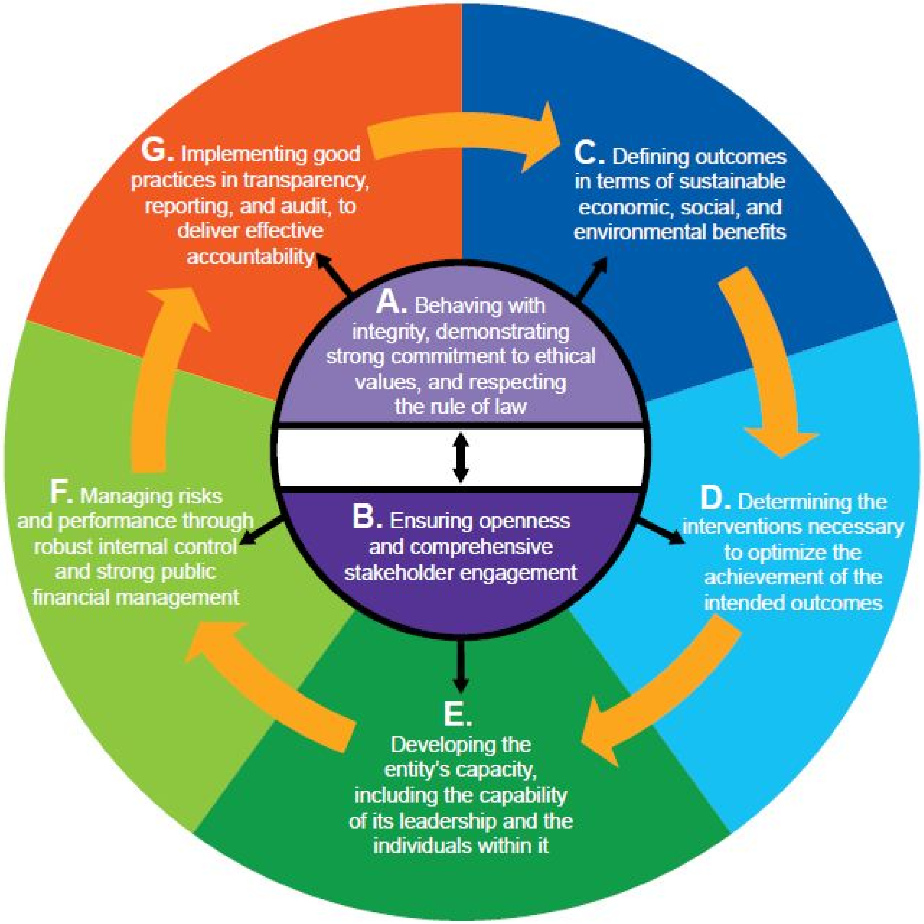

Figure 1 CIPFA's Principles of Good Governance

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 governance framework has been in place at the Council for the year ended 31 March 2018 and up to the date of approval of the Annual Governance Statement and Statement of Accounts.

3 The Governance framework

Our code 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 apply six key behaviours which provide a clear framework on the 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 behaviours are being upheld and that members and officers demonstrate high standards of conduct. These include:

- codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud and whistleblowing); and

Figure 2 Warwickshire's Six Key Behaviours

- 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 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 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 or commissionhttp://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, owned by a lead officer, which provides staff with up to date 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. www.warwickshire.gov.uk/ask

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 developing their people and there is clear communication about where our authority is going. This is supported by bi-annual staff surveys and pulse surveys which measure employee engagement and our direction of travel against a number of staff related measures. 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 a named Data Protection officer and have procedures in place that explain 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

A Corporate Plan and Medium Term Financial Plan covering the period 2017 – 2020 has been approved in response to the Local Government Finance Settlement and the longer term implications for the authority.

The One Organisational Plan (OOP 2020), approved at Full Council on 2nd February 2017, 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. http://oop.warwickshire.gov.uk/

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 Insight Service which 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.
- Arrangements are in place to report critical management information on the key aspects of the delivery of the OOP 2020 including finance, projects and performance to Corporate Board on a monthly basis.
- Each Group has arrangements in place for reporting performance to its Group Leadership Team (GLT).
- The Project Hub, an 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 needs of our workforce, setting out 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. The strategy is currently being refreshed and a new People Plan is being developed to ensure our workforce meets the needs of the organisation beyond 2018.

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. Since April 2017 our corporate appraisal process has been aligned to the Behaviours Framework. http://www.warwickshire.gov.uk/gatewaytolearning

Our Senior Leadership Forums and planned events and workshops aim to share our Transformation plans more widely and build the skills and capabilities needed to successfully deliver those plans.

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.

We have started work on reviewing how we will operate beyond 2020 to ensure we have strong arrangements in place to deliver future strategic plans and savings, as the authority's financial envelope continues to be constrained and demand for services increases.

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 set out our financial management framework for ensuring we make the best use of the money we have available to spend. They outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are 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 has been reflected in our 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 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.

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 Internal Audit and Insurance Manager is designated as the Head of Internal Audit and has regular formal meetings with the Joint Managing Director(Resources), Head of Finance and Head of Law and Governance and does not take any part in any audit of risk management or insurance. Following last year's self-assessment against the Public Sector Internal Audit Standards (PSIAS), an External Quality Assessment of the Internal Audit shared service was completed in February 2018 resulting in positive feedback on the quality of internal audit provided to its clients. 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 Internal Audit and Insurance 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 and improved throughout 2017/18 in a number of ways including:

- Our Whistleblowing Policy and Counter Fraud, Bribery and Corruption Framework were approved in 2017.
- An audit of pensions' investments including the governance implications of moving to Border to Coast Pension Partnership was included in the 2017/18 internal audit plan and resulted in a substantial opinion.
- Council meetings have been web-streamed and a web based election results system introduced, improving transparency of decision making and public accessibility.
- We have responded to Ofsted's inspection of our Children's Services in May 2017, resulting in an overall grade of "requires improvement", with a 12 point action plan owned at senior management level.
- We implemented a new Adult Case File Audit Tool in People Group in July 2017.
- We continued to consult with staff, service users and stakeholders on our Transformation Programme for Adult and Children's Services.
- A new customer centred Quality Assurance Framework for our Commissioned Adult and Children's Services called "See, Hear, Act" was launched in November 2017 with a full week of public events and promotional activity in the community and with providers and service users.
- LGA Early Help Peer Review was undertaken in November 2017, resulting in an Early Help Action Plan setting out a number of key activities to clarify Early Help services so that they are agreed and understood by WCC and its partners and ensure that there are appropriate governance arrangements for partnership engagement.
- In April 2017, we took part in and completed a Self-Assessment of Adult Services as part of the annual sector led improvement programme run by ADASS (Association of directors of adult social services in England).
- We completed a Self-Assessment of Mental Health Services commissioned by West Midlands Regional ADASS Group during the summer of 2017.

The results of 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 including Contract Management and Pre-Employment checks and the wider implications of a fraud case in respect of Direct Payment controls. This report concludes that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings, 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 summarise 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 arrangements for the retention of business rates are also an area of risk for us as it increases uncertainty about future funding. There continues to be a large amount of uncertainty arising from the United Kingdom's withdrawal from the European Union. We do not yet have a full understanding of how this will impact on changes to laws, budgets, grants and the devolution agenda.

We have produced a new One Organisational Plan for the period 2017-2020 which identifies savings of £67m during this period. These financial pressures mean that the organisation faces a significant challenge to meet its aims and objectives. The savings and transformation plans that are 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 all funds allocated to the Council's Transformation Programme 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 and project plans and ensure that revenue and capital 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 Business Rates Retention system.
- As administrator of the Warwickshire Pension Fund, continue to work with Border to Coast Pension Partnership on the implementation of the revised asset pooling requirements.
- 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 continues 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 adult social care services by utilising, for the 2nd year, 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 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:

- Stronger integration with our health partners and strengthening the role of the Community and Voluntary sector.
- Shaping the provision and quality of commissioned services for our most vulnerable looked after children and young people.
- Progressing the review and transformation of the "customer journey" for children and adult services with customers and carers at its heart.
- Further evolve our approach to commissioning and delivering high quality services with providers ensuring that we minimise the risk of market failures.

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.

Following the Ofsted Inspection of Children's Services and the Peer Review in 2017 we have an Action Plan in place which will drive forward required improvements in 2018.

We now have an established 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.

The Warwickshire Safeguarding Adults Board (WSAB) has implemented a programme of regular multi-agency audits.

We continue to develop our safeguarding arrangements and over the next year will maintain a recruitment and retention campaign to increase our Social Work resources. In doing so, we will reduce caseloads, work more effectively with families in the community and reduce the number of looked after children.

Failure to maintain the security of personal or protected data and protect our systems from disruption as result of cybercrime.

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 require staff to undertake e-learning and formally accept their responsibilities. We have continued to review and improve our information governance processes across the Council and have introduced routine compliance reporting to Corporate Board. We are delivering a corporate cross cutting project to prepare all business areas and third parties for compliance with the General Data Protection Regulation (GDPR) ahead of its introduction in May 2018.
Along with all other organisations we have seen an increase in the number of attacks on Warwickshire websites and systems arising from hacking, denial of service, ransomware and phishing. In response, we continue to review and develop our network and information security arrangements and invest in those resources.

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 Government's 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.
- Apply the National Living Wage and expand our Apprenticeship Scheme, as a leading regional employer.

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, actively engaging with regards to transport, planning, housing and economic development.

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 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 & Rescue Service
- Continue to review and test our business continuity and emergency plans.
- Moving forward our collaborative arrangements with West Midlands Fire & Rescue Service.

6. Certification

We propose over the coming year to continue to manage the risks detailed 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
Head of Paid Service

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

Audit & Standards Committee

25 July 2018

Statement of Accounts 2017/18

Recommendation

The Committee is asked to consider the 2017/18 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 2017/18.

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 2018
  - The cash flow statement
- The statement of accounting policies
- The notes to the core financial statements
- The Firefighters' Pension Fund statement

1.3. Recommendations to Council for approval of the Annual Governance Statement and the accounts of Warwickshire Pension Fund, which will form part of the County Council's 2017/18 Statement of Accounts when they are published, are sought within separate reports 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 2017/18 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 2017/18 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 July.

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 14 June 2018.

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 2016/17 and 2017/18.

3.2. Comprehensive income and expenditure statement

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

- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Includes 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 pension 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 2018. 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. Firefighters’ Pension Fund Statement

5.1. It is unusual for an unfunded pension scheme (such as the firefighters’ 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 2017/18 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 auditor's 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 26 July 2018. A letter of representation is provided in connection with the audit of the 2017/18 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 and the Accounts of Warwickshire Pension Fund (elsewhere on the Agenda) together with the signed audit opinions by 31 July 2018 in line with statutory regulations.

7. Background Papers

7.1. None.

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

None

Warwickshire County Council

Statement of Accounts

Warwickshire County Council

Introduction

I am pleased to introduce our Financial Accounts for 2017/18. 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. They represent the financial results of the delivery of the first year of our 2017-2020 One Organisational Plan. This narrative report is set out in four parts. The first provides some key information on what the Council does and how it does it. It describes some of the key challenges facing the Council over the next few years and the changes taking place in the Council to respond to those challenges. The second part provides further detail on how we resource the Council's plans. This section also considers the factors in the external environment that influence our decisions and highlights some of the key risks that we have identified to our priorities. The third part summarises our financial and other performance in 2017/18 and our effectiveness in the use of our resources. The final part provides information on how the Financial Accounts for 2017/18 are prepared and set out.

A. Organisational overview and operational model

In February 2017 our 2017-2020 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. The One Organisational Plan provides the necessary framework to deliver change management and transformation and to ensure clear line of sight delivery of the Council's Core Purpose and Outcomes. Our core purpose is that:

We want to make Warwickshire the best it can be.

Warwickshire's Communities and Individuals are supported to be safe, healthy and independent

- Our communities are independent, resilient and safe
- Vulnerable members of our communities are supported to be independent and safe
- We support and coordinate other organisations to deliver services

Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure

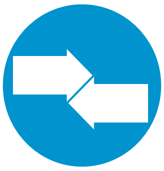
- Children and adults have access to quality learning throughout their lives
- Young people are supported to access apprenticeships and employment
- Warwickshire is an attractive place to do business with a strong local economy and infrastructure
- Our communities and businesses are thriving and prosperous

To deliver these outcomes we need to ensure our services are efficient, integrated and exploit technology and innovation, so we also focus on ensuring that the Council makes the best use of its resources. The outcomes framework ensures that Members and Officers have a clear picture of how well the organisation is progressing against the One Organisational Plan as well as the key business outcomes that support and underpin it.

The One Organisational Plan, updated in February 2018, includes making savings of £57 million. This means shaping the future of a very different County Council and different public sector provision in Warwickshire by 2020. The reduction in resources does not diminish our ambition for the County.

We cannot do this alone and we are continuing to look to our residents and partners in the public, private and voluntary communities to open up a new conversation to find solutions and different ways of working. Some of our key initiatives in this area include:

A new conversation around how residents help themselves, access information and advice and receive specialist help



Moving towards an integrated health and care model

Creating a future vision for children and families

Developing community capacity

Politically, Warwickshire County Council has 57 councillors, who are elected every four years. The last elections were held on 4 May 2017. The current political composition of the Council is 36 Conservative members, 10 Labour members, seven Liberal Democrat members, two Green Party members and two Independents. The Council makes its decisions via a Cabinet of nine members including the Leader of the Council, Cllr Izzi Seccombe. Warwickshire's Councillors are responsible for setting the strategic direction of the Council and for scrutinising performance. Further details of the governance arrangements in the Council are included in the Annual Governance Statement, included within this document.

Organisationally, Warwickshire operates through three Groups (referred to as Directorates since 1 April 2018): Communities (including Fire and Rescue), People and Resources. Each Group is headed by a Director who sits on the Council's Corporate Board. Business Units within each Group have plans in place which correspond to the budget set for them by Council and the key outcomes within the One Organisational Plan. Each service has Key Performance Indicators which are monitored and included in quarterly performance reports to Group Leadership Teams and Members.

At the end of the year we had the equivalent of 4,501 employees and just under half our spending each year is on staffing. This is a decrease of 593 employees from last year. Warwickshire's employees are responsible for translating Councillors' strategic decisions into actions. Our Workforce Strategy 2014-2018 sets out the key principles to ensure we have a workforce that is fit for purpose to deliver the One Organisational Plan.

The Council collaborates with a number of external partner organisations to plan and deliver its intended outcomes. These include the neighbouring councils of Coventry City Council, Solihull Metropolitan Borough Council, and the five Warwickshire District and Borough Councils. We are a non-constituent member of the West Midlands Combined Authority and a member of the Coventry and Warwickshire Local Enterprise Partnership. We work closely with the local NHS organisations and a number of other bodies, including:

- **Central government departments and ministries**
- **National and local charities**
- **Academy schools and academy trusts in Warwickshire**
- **Local universities and other academic organisations**
- **Local industry and businesses**
- **Town and parish councils in Warwickshire**

Further details of the Council's key priorities, plans and outcomes are available in the One Organisational Plan.

B. Resourcing our activities

The medium term financial plan underpins the delivery of the One Organisation Plan and is agreed as part of the budget-setting process which concludes in February each year. Taking a medium-term approach allows for a more coordinated and planned approach to prioritisation, and allows services to focus on delivery knowing the financial limits and constraints within which they are required to operate. Within the budget resolutions, the Council confirms and applies a number of fundamental financial strategies and policies. These include:

Revenue and capital 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. Most of our salary costs are included in revenue expenditure. Our capital spending relates to items we have bought, created or improved 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 such assets in that year to reflect the fact that services cannot be provided without spending on assets.

The amount of revenue income we have available to provide services, excluding schools, is forecast to be in the region of £408 million by 2020. A year by year breakdown is presented is more detail below.

Revenue resources	2017/18 £m *(actual)*	2018/19 £m *(forecast)*	2019/20 £m *(forecast)*
Revenue Support Grant	20	10	-
Business Rates	66	63	65
General Government Grants	55	53	55
Adult Social Care Levy	10	15	20
Council Tax	247	260	268
Total Revenue Resources	**398**	**401**	**408**

Revenue allocations are made to specific services through a process which balances demand forecasts, inflation and other price increases, commitment to our statutory duties and the investment choices which the Council wishes to make to improve services or reduce costs. By law, we must set a balanced budget which ensures that the Council meets not only its existing financial commitments but also remains on a firm financial footing for the future.

Adult social care is our largest area of revenue spending. In November 2015 the Government announced that local authorities would be able to levy an additional 2% on top of their normal council tax increase each year, with this additional funding to be ring-fenced for use in adult social care. A further announcement in December 2016 allowed councils to levy up to another 6% across 3 years from 2017 to 2020. We plan to take the additional levy for each year in that period and will increase the resources available to deliver adult social care by at least the amount raised this way.

The figures shown above for government grants do not include a number of specific grants which come with conditions that limit our discretion in how they can be used. The largest of these is the Dedicated Schools Grant which we receive from government to meet the cost of funding schools and relevant pupil-related services. We are currently reviewing how we deploy these resources for maximum strategic effectiveness.

The figures also do not include income we receive as a result of charging for our services.

Capital resources	2017/18 £m *(actual)*	2018/19 £m *(forecast)*	2019/20 £m *(forecast)*
Capital Grants and Contributions	61	62	101
Receipts from the Sale of Assets	3	46	1
Direct Application of Revenue Resources	5	2	2
Borrowing (to be repaid from revenue resources)	10	74	5
Total Capital Resources	**79**	**184**	**108**

Our capital spending power is determined from a combination of the external income which must be spent on capital (such as specific grants or contributions and the receipts from the sale of our assets) and the extent to which the Council is willing to meet the costs associated with borrowing money from its revenue resources. The Council's current expectations of capital financing are shown on above.

Our capital allocations are made in line with our Capital Strategy, which includes two key elements: capital maintenance works to ensure our assets continue to be fit for purpose and able to support the provision of services; and capital investment to create and develop new assets. Each element has a number of strands that ensure a clear focus on the purpose of capital spending and the prioritisation of proposals, underpinned by specific service asset management strategies.

Allocations included in the maintenance programme meet one of the following three criteria:

- **Structural maintenance cost of maintaining our assets to ensure services can continue to be delivered**
- **Statutory health and safety and other regulatory requirements**
- **Annual cost of equipment and/or vehicle replacement programmes**

Our annual maintenance programme includes allocations from the government grants received for schools and highways maintenance plus revenue funding used for the replacement of vehicles, where this is more cost effective than leasing the vehicle.

Investment schemes are, by their nature, not routine and are only considered if they move the organisation towards the delivery of our outcomes. Where we have discretion in how to apply capital financing, we use a structured evaluation process that assesses:

- **What we are trying to achieve for the Warwickshire residents, businesses and visitors by investing in particular assets**
- **The contribution of the new assets to the delivery of the corporate outcomes**
- **The financial costs and benefits over the short, medium and long term, and**
- **The risks inherent in the delivery of the scheme itself and the expected benefits, with a focus on better up-front planning and timetabling.**

Savings and efficiencies

The resource estimates shown above reflect the impact of both continuing austerity and the broader economic outlook. The figures indicate that, over the three years of the One Organisational Plan, we must deliver savings of £57.0 million. The savings have been identified from all areas of activity and will be delivered in a phased manner over the three years.

Reserves

Reserves are resources we have accumulated over time and set aside for a particular purpose as part of an integrated approach to the successful financial management of the authority over the short, medium and long term. We hold reserves to:

- **Ensure future events outside of our control do not undermine the authority's overall financial position or impact on service delivery**
- **Plan for the effective use of resources over time for a specific purpose**
- **Ensure we meet funding conditions (set either by an external funding body or a specific decision of Members) in our use of any available resources**
- **Retain any other accumulated underspends prior to decisions on their use**

Our budget is set to include anticipated levels of reserve added or drawn down in the year; these plans may change as the year progresses to react to emerging pressures or other events and are approved in our quarterly monitoring process. Some reserves are held at a corporate level to support overarching risks and strategies.

The level of general reserves is consistent with the overall financial environment and the key financial risks faced by the Council. These risks are assessed at least annually and take account of circumstances at the time of assessment as well as trends into the future.

Borrowing and investments

We undertake treasury management activities in a prudent and flexible manner so as to ensure we retain sufficient liquid funds to provide for day-to-day cashflow requirements whilst funding our capital spend at the lowest cost. These activities are managed within an overall framework determined by the annual Treasury Management Strategy which is updated and approved by Members annually. Interest income and expenditure as a result of investments or borrowing is reflected in our revenue budgets.

Pensions

The majority of the Council's employees are members of the Warwickshire Local Government Pension Scheme, and the Council administers the fund that supports the Scheme. As a defined benefit scheme, the Scheme is shown as a long-term liability in our accounts. However, 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.

Both the accounts for the County Council and the Pension Fund are included in this document, though they are operated as independent entities. The County Council's accounts reflect the pension disclosures relating only to its own employees. This includes disclosures for those staff with alternative pension schemes, such as Teachers and Firefighters.

Management of Risk

The successful delivery of the One Organisational Plan and our sustainability into the future are dependent on our ability to manage and respond to the risks we face. The items in our strategic risk register are:

- **Government policies, new legislation, austerity measures and demographic pressures present challenges to service delivery**
- **Continuing pressure on adult social services and health**
- **Safeguarding children and vulnerable adults in our community and our ability to take action to avoid abuse, injury or death**
- **The ability to maintain the security of personal or protected data held by the Council and protect our systems from disruption as a result of cybercrime**
- **The ability to secure economic growth in Warwickshire, and**
- **The ability to keep our communities safe from harm.**

Due to their nature these risks will always remain; this does not indicate that our performance is poor in these areas. We actively manage these risks through specific mitigating actions. Further information can be found in the Annual Governance Statement, included within this document.

C. Our performance in 2017/18

Delivery of the One Organisational Plan is assessed through seven key components, each of which has a year-end rating. The chart below shows the delivery status of these seven components at the end of 2017/18 and is compared to the 2016/17 year-end position (derived from performance reports relating to the 2014-2017 One Organisational Plan):

	OOP Outcomes	Controllable Revenue Variance	Financial Standing	Savings Plan	Capital slippage to future years	Strategic Risks	Workforce
2017/18	Amber	Red	Green	Amber	Red	Amber	Amber
2016/17	Amber	Red	Green	Red	Red	Amber	Green

Note: in both years, our controllable revenue variance was greater than a 2% underspend, and so is shown here as red, despite allowing the Council to make a net contribution to reserves.

Based on the assessment of our Key Business Measures (KBMs) the delivery of our two OOP 2020 Outcomes has a rating of 'Amber'. This is primarily due to the effect of pressures on key services in Outcome 1 "Warwickshire's communities and individuals are supported to be safe, healthy & independent". Much of this is a result of demand exceeding forecasts in areas such as looked after children, permanent admissions to social care and fire incidents. These are statutory services that the authority continues to provide even when demand is increasing and against a backdrop of reducing resources and a planned savings programme. There is also strong performance in our economic and education KBMs under Outcome 2 "Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure". Despite the overall rating, there is considerable positive achievement across the seven policy areas.

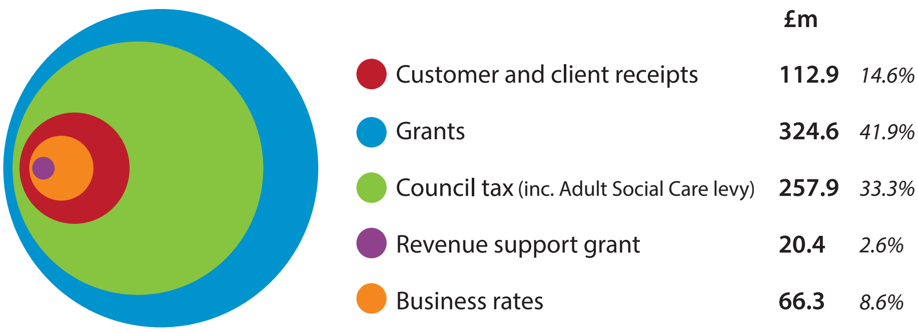
Further information on our overall organisational performance can be found in the One Organisational Plan Year End Progress Report 2017/18 on our website **www.warwickshire.gov.uk**.

Financial Performance

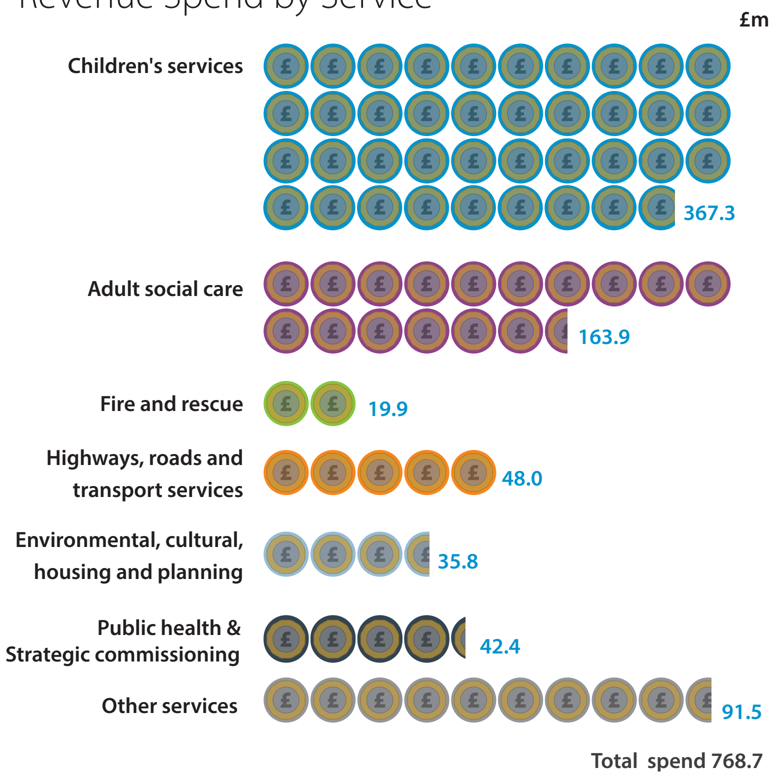
Revenue income and expenditure

Our total revenue income in 2017/18 was £782.1 million. The main sources of revenue income received in 2017/18 to support the revenue budget of our services are shown in the chart on the right.

Revenue Income

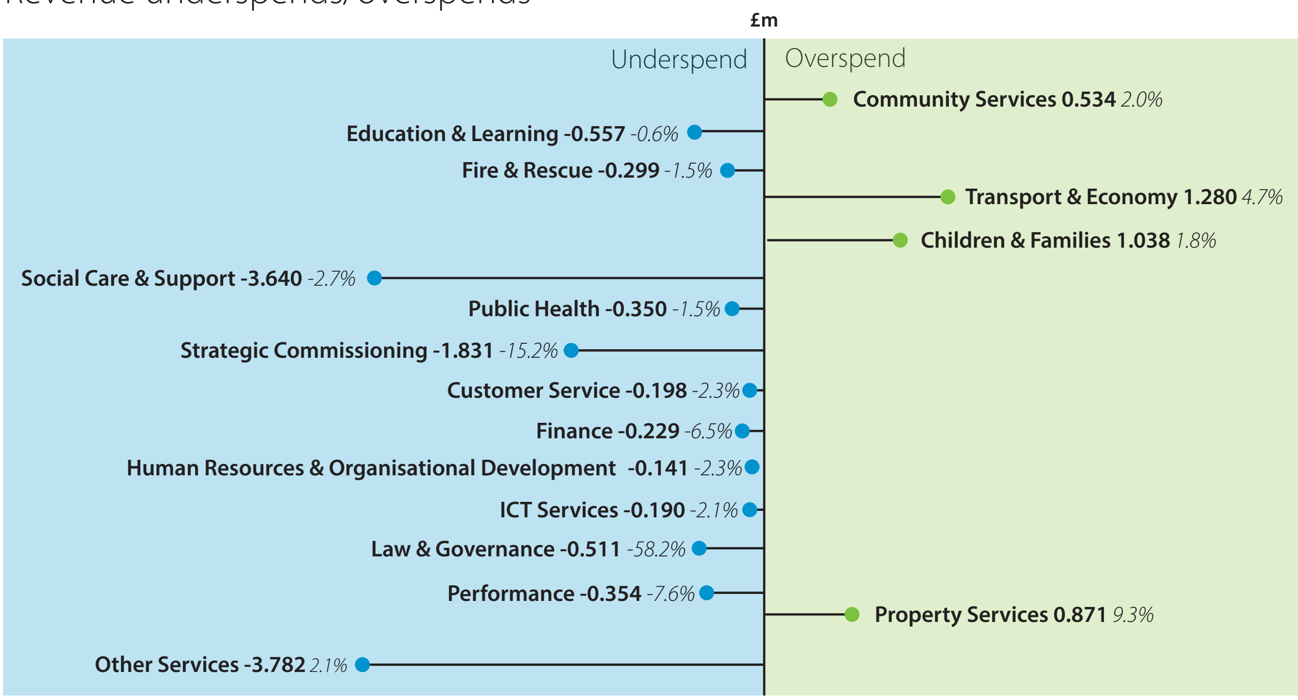


Revenue Spend by Service

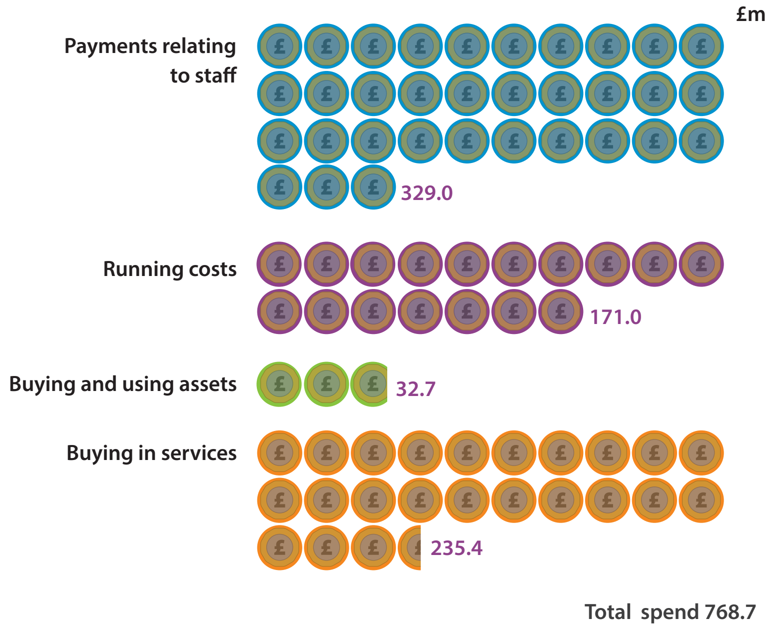


We have spent £532.6 million of this revenue income to finance the various services we provide (excluding schools), as illustrated in the charts to the left. The £532.6 million, schools spending (£236.0 million) and net technical adjustments that are not part of our management accounts of £119.5 million make up the gross cost of services.

Revenue underspends/overspends



Revenue Spend by Type

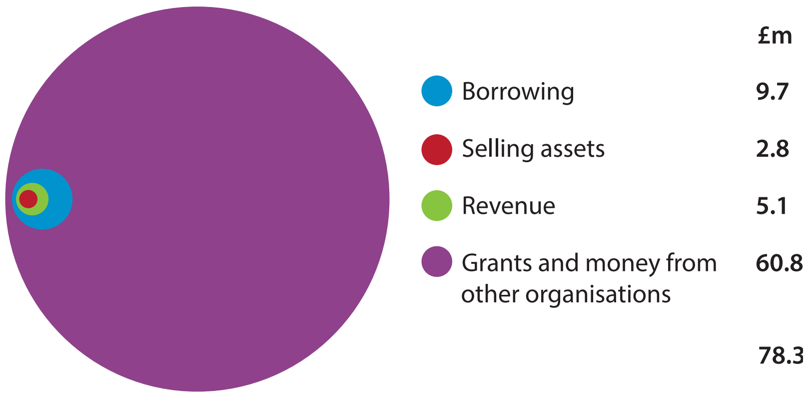


We planned to use £10.6 million of our reserves to support the delivery of services in 2017/18. However services, spent £14.6 million less than their cash-limited budget (including a schools overspend of £2.2 million); when combined with the £9.4 million additional government grant received during the year, the outcome was that our usable revenue reserves increased overall by £13.4 million.

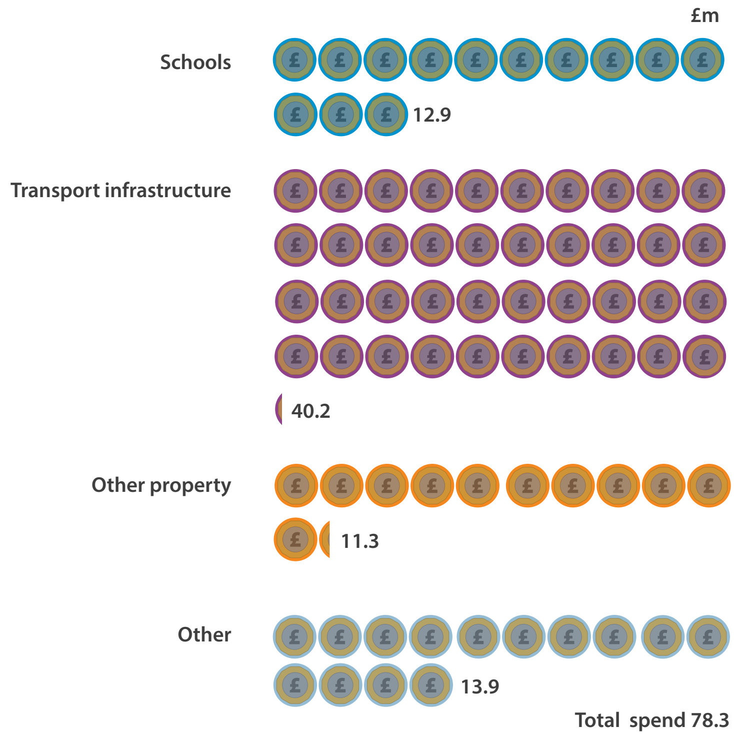
Capital spending and the value of our assets

We spent £78.3 million on the purchase and creation of assets in 2017/18, including £14.9 million on assets owned by other parties. Our initial estimate was £121.8 million and a further £22.2 million of expenditure was approved during the year. Our capital spending was therefore £65.6 million less than our final budget of £143.9 million. This underspend was due to delays on individual projects. Most of this spending now is expected to be incurred in 2018/19. Further details on the sources of finance and the areas of spending are provided in the charts to the right and on the next page.

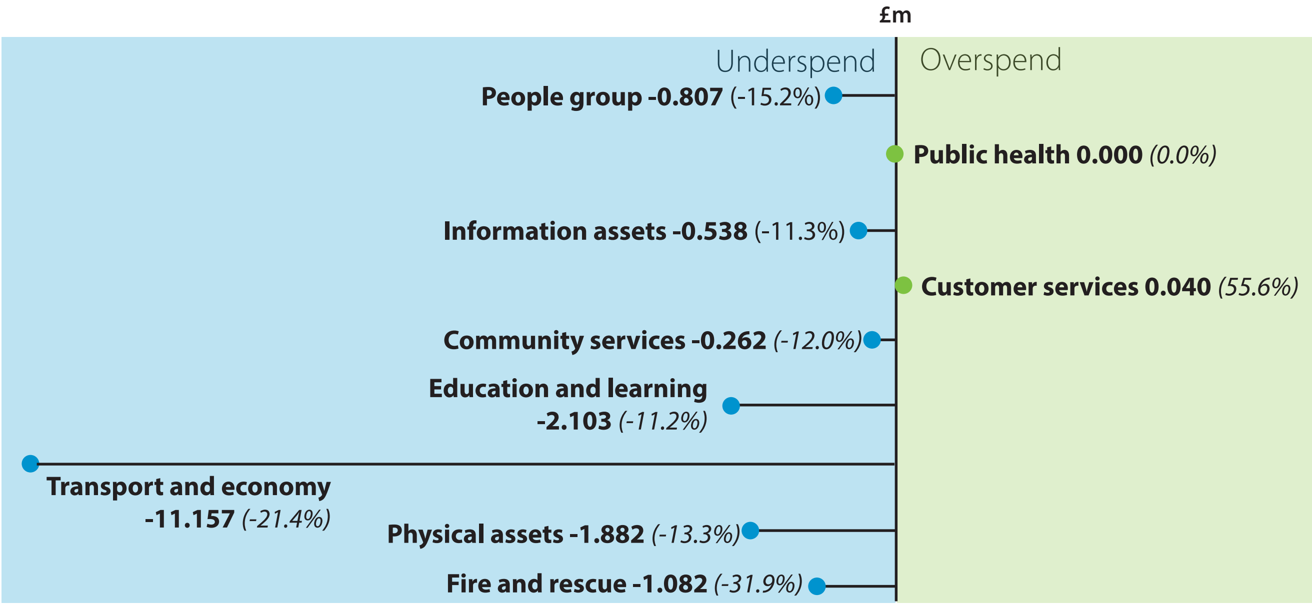
Capital Financing



Capital Spend



Capital underspends/overspends



The value of our fixed assets has decreased from £1,301 million to £1,192 million in 2017/18. The main reasons for this decrease are:

- **Schools valued at £74.0 million transferred to academy status;**
- **A further £1.2 million of assets disposed, primarily through our Property Rationalisation Programme;**
- **A spend of £63.4 million to invest in our assets;**
- **A write-down of £43.4 million from the value of our assets during the year to reflect their usage by services; and**
- **A net decrease in the value of our assets of £53.2 million as a result of updated valuations to reflect market movements and usage changes.**

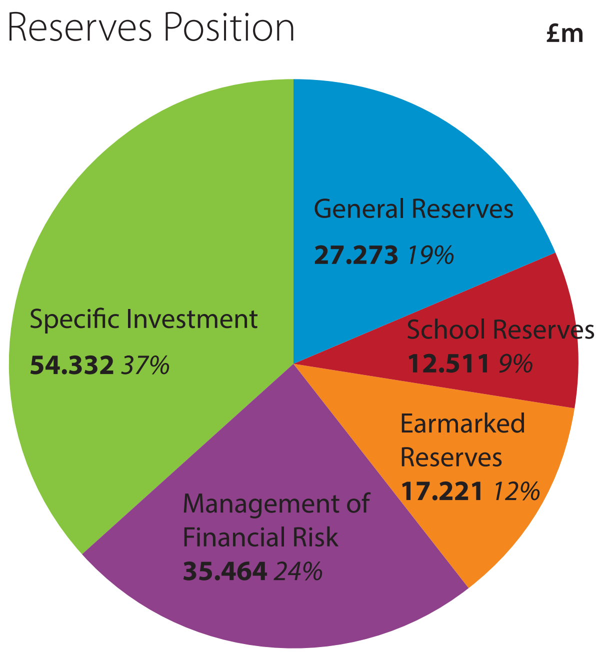
Savings and efficiencies

2017/18 was the first year of the One Organisational Plan. Implementation of this plan (as updated in February 2018) requires savings of £57.0 million to be delivered, of which £29.2 million had been delivered by the end of 2017/18. These savings were spread across a number of areas. Some of the larger items were:

- **£3.0 million reduced capital financing costs as a result of the review of our prudent Minimum Revenue Provision approach;**
- **£1.0 million saving through a revised commissioning approach in adult social care;**
- **£0.9 million net reduction in demand for traditional homecare provision through improved occupational therapy;**
- **£1.2 million saving as a result of redesigned ways of working and arrangements for external contracts in public health;**
- **£0.7 million saving arising from the school-led improvement approach;**
- **£1.9 million saving from a review of contracts in the Supporting People programme;**
- **£0.4 million reduction in waste management costs; and**
- **£0.4 million decreased property running costs as a result of the Property Rationalisation Programme.**

Reserves

At 31 March 2018 our usable revenue reserves are £146.8 million. £13.9 million of this is held by schools; a breakdown of the remainder is shown in the chart on the right. We consider this to be a robust figure which gives us the capacity to withstand financial shock as well to invest in change to improve our efficiency and effectiveness. We will continue to apply our Reserves Strategy which describes how and when these reserves should be used or added to.



Borrowing and Investments

Whilst the average rate that financial institutions lend money to each other was 0.21% during 2017/18, our treasury management activity generated a better average interest on investments of 0.84%. 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 2018, the same as a year previously, and at 31 March 2018 we are holding £190.3 million of cash or cash equivalents, an increase of £27.5 million from the previous year

Pensions

At 31 March 2017 our total pensions liability was £787.0 million, a decrease of £14.8 million over the year. This remains within the expected range and we are confident that this liability is well-managed within the statutory arrangements.

D. Outlook

We have started work on reviewing how we will move beyond 2020 to ensure we have strong arrangements in place to deliver future strategic plans and savings, as the authority's financial envelope continues to reduce. We recognise that beyond 2019/20 the changes to the system of local government finance as a result of the increasing moves towards self-sufficiency and the increased localisation of business rates means our financial planning processes will need to change as the level of income from local taxation will become increasingly variable and unpredictable. We also need to closely monitor factors in the wider regional and national environment that can have a substantial impact, both financial (such as inflation and interest rates) and non-financial (such as demographic and political change).

There are a number of areas where we expect to develop more detailed plans in time for our 2019/20 full refresh of the Medium Term Financial Plan. These include:

- **A long term solution to balance the Dedicated Schools Grant.**
- **A review of the Fire and Rescue Service.**
- **A more commercial approach to the use of the Council's property and land assets.**
- **A digital transformation pathway that contributes to the delivery of savings beyond 2020.**
- **An end-to-end service redesign of the collection and disposal of waste across Warwickshire.**

E. Basis of preparation and presentation

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.

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 £162.0 million for 2017/18 has been reported; the outturn position is an £8.4 million surplus after budget movements approved by Members during the year.	**A decrease of £76.0 million in County Council's net assets as at 31 March 2018.**
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, revaluation and pensions charges.	The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2018 the County Council's net worth was £243.2 million.
Cash Flow Statement	**Movement in Reserves Statement**
A net cash outflow of £27.6 million in 2017/18 in cash or cash equivalents.	**An increase of £12.2 million in the County Council's usable reserves, made up of an increase of £13.4 million in revenue reserves and a decrease of £1.2 million in capital reserves.**
This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.	This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.

Statement of accounting policies

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

Notes to the core financial statements

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

F. Other sections of the document

As well as the Statement of Accounts for the County Council, this document includes separate sections for the Annual Governance Statement and the Statement of Accounts for the Warwickshire Pension Fund.

The Annual Governance Statement describes the Council's Governance Framework and system of internal control. It includes a review of the effectiveness of this system in the past year and identifies key risks for the Council to manage in the future. The Annual Governance Statement also covers the Warwickshire Pension Fund.

The Warwickshire Pension Fund's Statement of Accounts describes the Fund's financial position and performance in 2017/18. While the County Council administers the Fund, the Fund's accounts represent its activities on behalf of all its member organisations. Further information about the Fund can be found in Note 1 of that section.

John Betts
Head of Finance

Warwickshire County Council

Statement of Accounts

2017/18

Warwickshire County Council

Working for Warwickshire

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

- Phone: 01926 738816
- E-mail: vickibarnard@warwickshire.gov.uk

You can also leave your comments on our website at https://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.

This document forms part of the Warwickshire County Council's 2017/18 Statement of Accounts which also includes the Annual Governance Statement and the accounts for Warwickshire Pension Fund. The accounts for the Pension Fund are available at https://www.warwickshire.gov.uk.

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

(to be completed)

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(to be completed)

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.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Warwickshire County Council at 31 March 2018 and the income and expenditure for the year ended 31 March 2018. The unaudited draft accounts were authorised for issue on 31 May 2018. These were audited and were considered and approved at a meeting of the Council on 26 July 2018. The approved accounts were authorised for issue on that date.

John Betts
Head of Finance **Date: 26 July 2018**

Councillor John Cooke
Chair of the Council **Date: 26 July 2018**

Comprehensive Income and Expenditure Statement

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

2016/17				2017/18		
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			
234.4	-37.7	196.7	~ Communities Group	328.0	-39.5	288.5
23.0	-0.2	22.8	~ Fire Service	27.2	-0.4	26.8
238.2	-42.1	196.1	~ People Group	258.3	-50.3	208.0
59.3	-10.0	49.3	~ Resources Group	61.4	-7.1	54.3
237.3	-279.0	-41.7	~ Schools	219.8	-271.8	-52.0
3.5	-37.0	-33.5	~ Other Services	5.3	-36.9	-31.6
1.6	0.0	1.6	~ Non-distributed costs	-11.8	0.0	-11.8
797.3	**-406.0**	**391.3**	**Net cost of services**	**888.1**	**-406.0**	**482.1**
41.5	0.0	41.5	~ Other operating expenditure (note 4)	70.2	0.0	70.2
56.1	-18.1	38.0	~ Financing and investment income and expenditure (note 5)	52.3	-17.7	34.6
0.0	-413.5	-413.5	~ Taxation and non-specific grant income and expenditure (note 6)	0.0	-424.9	-424.9
894.9	**-837.6**	**57.3**	**Surplus (-) or deficit on the provision of services**	**1,010.6**	**-848.6**	**162.0**
			Items that will not be reclassified to the surplus (-) /deficit on the provision of services			
		-25.0	~ Surplus (-) or deficit on revaluation of property, plant and equipment			-40.3
		-3.0	~ Surplus or deficit on revaluation of available for sale financial assets			0.6
		94.3	~ Remeasurements of the net defined benefit liability/(asset)			-46.3
		66.3	**Other comprehensive income and expenditure**			**-86.0**
		123.6	**Total comprehensive income and expenditure**			**76.0**

To arrive at the figures for each group in the table above we adjust the income and expenditure figures used internally to report our financial performance as required by the Code 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) and the Adjustments between accounting basis and funding basis under regulations (Note 2) in conjunction with the Movement in Reserves Statement.

Movement in Reserves Statement

Movement in Reserves Statement - 2017/18	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 2017	**25.1**	**107.3**	**1.0**	**133.4**	**2.6**	**136.0**	**183.2**	**319.2**
Movement in Reserves during 2017/18								
Total Comprehensive Income and Expenditure	-162.0	0.0	0.0	-162.0	0.0	-162.0	86.0	-76.0
Adjustments between accounting basis and funding basis under regulations (note 2)	175.4	0.0	0.0	175.4	-1.2	174.2	-174.2	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**13.4**	**0.0**	**0.0**	**13.4**	**-1.2**	**12.3**	**-88.2**	**-76.0**
Transfers to / from (-) Earmarked Reserves (note 7)	-9.3	9.1	0.2	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	**4.1**	**9.1**	**0.2**	**13.4**	**-1.2**	**12.3**	**-88.2**	**-76.0**
Balance at 31 March 2018	**29.3**	**116.4**	**1.2**	**146.8**	**1.4**	**148.2**	**95.0**	**243.2**

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**

Balance Sheet as at 31 March 2018

2017 £ m	Balance Sheet as at 31 March	2018 £ m	Notes
1,236.5	Property, plant and equipment	1,124.8	8
58.8	Investment property	58.9	11
4.2	Heritage assets	4.3	10
1.2	Intangible assets	4.3	12
1,300.7	**Total fixed assets**	1,192.3	
2.2	Long-term investments	2.0	
0.0	Long-term debtors	0.5	
1,302.9	**Total long-term assets**	**1,194.8**	
	Current assets		
74.0	Short-term investments	93.8	13
0.8	Inventories	0.3	
56.8	Short-term debtors	64.0	14
162.7	Cash and cash equivalents	190.3	15
0.3	Assets held for sale	0.0	16
294.6	Total current assets	348.4	
	Current liabilities		
-4.9	Short-term provisions	-5.7	18
-1.1	Short-term borrowing	-9.7	36
-92.8	Short-term creditors	-106.8	17
-0.2	Short-term grants received in advance	-0.5	24
-99.0	Total current liabilities	-122.7	
195.6	**Current assets less current liabilities**	**225.7**	
-2.3	Long-term provisions	-2.3	18
-352.3	Long-term borrowing	-352.3	36
-22.9	Long-term grants received in advance	-35.7	24
-801.8	Liability related to defined benefit pension scheme	-787.0	20
-1,179.3	**Long-term liabilities**	**-1,177.3**	
319.2	**Net assets**	**243.2**	
136.0	Usable reserves	148.2	19
183.2	Unusable reserves	95.0	20
319.2	**Total reserves**	**243.2**	

John Betts
Head of Finance
26 July 2018

Cash Flow Statement

Year ended 31 March 2017 £ m	Cash Flow Statement	Year ended 31 March 2018 £ m
28.8	Operating activities (note 21)	44.2
-10.3	Investing activities (note 22)	-16.1
-25.0	Financing activities (note 23)	-0.5
-6.5	**Net increase or decrease in cash and cash equivalents**	**27.6**

Year ended 31 March 2017 £ m	Reconciliation to movement in cash and cash equivalents	Year ended 31 March 2018 £ m
169.2	Cash and cash equivalents at the beginning of the reporting period	162.7
162.7	Cash and cash equivalents at the end of the reporting period	190.3
-6.5	**Movement in cash and cash equivalents**	**27.6**

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 2017/18 (‘the Code’) 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. We do not expect the effect to be material to the overall position.

Assets held for sale

Where we have made a decision to sell an asset and the asset is being actively marketed with a sale expected within 12 months of making that decision, it is categorised as a current asset held for sale. 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.

Apprenticeship Levy

In 2017/18 we started to make payments to Her Majesty’s Revenue and Customs (HMRC) in relation to the Apprenticeship Levy. The full cost of the Levy will be recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement (‘CIES’) when it is paid to HMRC. When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

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 identify 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 33. These are not included in our Balance Sheet.

Contingent liabilities

We identify 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 34. 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 make payments for them, such as annual leave and time-off in lieu not yet taken. These are accrued for in the cost of services in the CIES.

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 CIES at 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 CIES 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 pension 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 38.

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 CIES 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 2017/18 fair value applies to non-operational property, plant and equipment classified as surplus assets, investment properties, assets held for sale and financial instruments.

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

Further detail is shown in notes 11 and 16.

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 CIES 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 CIES 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.

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 CIES.

Any gains or losses that arise on derecognition of an asset are credited/debited to the CIES.

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 recognised in the Movement in Reserves Statement (MIRS). Where impairments are recognised or assets derecognised charges are made to the CIES 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 CIES 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 CIES 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.

Going Concern

Local authorities cannot be created or dissolved without statutory prescription. The provisions of the Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on the basis that the functions of the authority will continue in operational existence for the foreseeable future.

Grants

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 CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent it is held in an earmarked reserve.

Capital grants are also credited to the CIES when any relevant conditions governing their use have been met. This income is then reversed out and charged to the Capital Adjustment Account upon use so the level of council tax is not affected. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve. Before the conditions are met, capital grants are also held on the Balance Sheet as a receipt in advance..

Group Accounts

We have assessed a number of entities, including our wholly owned subsidiaries, in line with the Code and accounting standards. Having due regard to materiality of effects on the financial statements and other qualitative considerations that may affect the understanding by the readers of the accounts, we have not established a requirement to produce group accounts. Further details of all our associated companies, subsidiary company holdings and other related party details are outlined in Note 41. In addition we have accounted for schools' income and expenditure, assets and liabilities in the single entity financial statements rather than produce group accounts, in accordance with the Code.

Heritage assets

Our heritage assets are held for their cultural, environmental or historic associations, making their preservation for future generations important. We value our museum collections and 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 are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any valuations would not have a material impact on the accounts. Operational heritage assets used in the provision of services or for other activities are accounted for under other asset classes elsewhere in the Balance Sheet. Heritage assets classified as community or other assets are valued at insurance cost unless our valuer believes 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 website https://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. We show the gain or loss on the sale of assets in the CIES. 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 CIES, 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) and the sale proceeds are also reversed in the MIRS and transferred to the Capital Adjustment Account so the level of council tax is not affected.

Where we have the right to capital receipts but have not yet received the cash payment, the transactions in the CIES are unaffected. However, instead of recognising the sales proceeds we instead recognise a Deferred Capital Receipt, which cannot be used to pay for our capital expenditure until the cash is received.

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 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 CIES. Intangible assets are valued at amortised historic cost.

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 Code. This does not have a material 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. Such assets are initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. Gains and losses on revaluation, as well as disposal and/or rental income, are shown in the Financing and investment income and expenditure line in the CIES.

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 lessee. All other leases are operating leases.

Finance leases

We deal with finance leases where we are the lessee in the same way as other capital spending. We include 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 CIES.

We do not have material finance leases where we are the lessor.

Operating leases

The vast majority of our lease rental payments (as lessee) are assessed to be operating leases and are charged evenly to the CIES 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 CIES as it is due.

We do not disclose contingent rents as they are not material to the financial statements.

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 2017/18 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 (shown as Other services in the CIES) and non-distributed costs.

Property, plant and equipment

Assets that have a physical substance, 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 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 valuation process is led by the Council's Strategic Asset Management team, who commission external valuers as needed.

The closing balances on 31 March 2018 were determined in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use less an annual charge for depreciation. However, where there is insufficient market valuation evidence assets, for example schools, are included in the Balance Sheet at a depreciated replacement cost.
- Surplus assets are those which we do not use in our day-to-day work and which 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. These assets are revalued every year and so are not subject to depreciation.

- We include 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.
- Assets under construction are held in the Balance Sheet at the cost incurred on their production to date. When the asset is deemed operationally complete the balance is transferred to the appropriate asset class shown above and depreciation begins.

We revalue operational PPE assets held at a value other than depreciated historic cost at least once every five years. We also adjust for any changes to the value of assets more frequently as required to ensure their carrying amount is not materially different from their current value at year end. In particular, we review the need to revalue any asset where there has been more than £0.250 million spend each year.

When asset values rise above the amount we paid for them we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

Impairment

Assets are assessed at each year-end to identify whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. The accounting treatment of impairment losses is the same as that for revaluation losses shown above.

Depreciation

Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 58 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 30 years for equipment).

The cost of depreciation is calculated by the following methodology:

- Our new assets are depreciated from the start of the financial year after they become operationally complete.
- Depreciation is calculated on a straight-line basis meaning that an asset's value falls equally each year throughout its life. If the gross value or remaining life 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 are assessed by our valuers as part of the revaluation of these assets.

Provisions
We put amounts of money aside to meet future specific service payments. For future events to be reflected in provisions, they need to meet three tests:

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

Provisions are charged to the appropriate service line in the CIES 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 from the council's General Fund in the MIRS. When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the CIES. The reserve is then appropriated back via the MIRS so that there is no net charge against council tax. Some reserves hold unspent funding which can only be applied in specific ways, such as the Capital Grants Unapplied and Capital Receipts Reserve.

Other 'unusable reserves' are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits:

- The capital accounting system requires us to maintain a Revaluation Reserve to reflect unrealised gains on non-current assets, and a Capital Adjustment Account to manage timing differences between their usage and financing.
- We maintain a Collection Fund Adjustment Account which holds the difference between the amount required to be shown in the CIES 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.
- We maintain a Pensions Reserve to hold the difference between any increase in the accounting cost of pensions in the year and the statutory figure chargeable in any year, which is the contribution made by the authority.

Revenue expenditure funded from capital under statute
We undertake some capital spending during the year that does not result in the creation of an asset we own. Any money we spend this way must be charged to the CIES but is funded from capital resources rather than council tax. To make sure that the council tax is not affected, we make an adjustment in the MIRS equal to the expenditure to reverse this 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 they 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 HMRC. VAT receivable is excluded from income. We are subject to Partial Exemption: as long as the VAT we claim on purchases used to generate exempt income is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

Note on roundings: individual tables presented within disclosures may not sum due to roundings. This does not reflect any inaccuracy or error.

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. 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.

2016/17				2017/18		
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			
171.9	24.8	196.7	~ Communities Group	171.2	117.3	288.5
17.9	4.9	22.8	~ Fire Service	19.3	7.4	26.8
192.3	3.8	196.1	~ People Group	198.3	9.6	208.0
40.5	8.8	49.3	~ Resources Group	41.4	12.9	54.3
-65.5	23.8	-41.7	~ Schools	-75.0	23.0	-52.0
-112.0	78.5	-33.5	~ Other Services	-110.7	79.1	-31.6
0.0	1.6	1.6	~ Non distributed costs	0.0	-11.8	-11.8
245.1	**146.2**	**391.3**	**Net cost of services**	**244.5**	**237.6**	**482.1**
-243.9	-90.1	-334.0	~ Other income and expenditure	-257.9	-62.2	-320.1
1.2	**56.1**	**57.3**	**Surplus (-) or deficit on the provision of services**	**-13.4**	**175.4**	**162.0**
134.6			Opening General Fund Balances	133.4		
-1.2			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	13.4		
133.4			**Closing General Fund Balance**	**146.8**		

The above table shows the Fire Service as a separate service as this was its position when the 2017/18 budgets were approved and for all in-year monitoring reports. It is now included in the Communities Group. 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 Statement and Note 2 to the accounts.

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.

Adjustments from General Fund to arrive at at the Comprehensive Income and Expenditure Statement Amounts	2017/18			
	Adjustments for Capital Purposes (a) £m	Net change for Pensions Adjustments (b) £m	Other Differences (c) £m	Total Adjustments £m
~ Communities Group	111.1	4.2	2.0	117.3
~ Fire Service	3.6	3.7	0.2	7.4
~ People Group	-0.4	6.9	3.1	9.6
~ Resources Group	7.6	4.8	0.5	12.9
~ Schools	17.2	5.3	0.5	23.0
~ Other Services	-12.8	0.1	91.7	79.1
~ Non distributed costs	0.0	-11.8	0.0	-11.8
Net cost of services	**126.4**	**13.3**	**98.0**	**237.6**
~ Other income and expenditure from the Expenditure and Funding Analaysis	18.3	18.2	-98.7	-62.2
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	**144.7**	**31.5**	**-0.8**	**175.4**

Adjustments from General Fund to arrive at at the Comprehensive Income and Expenditure Statement Amounts	2016/17			
	Adjustments for Capital Purposes (a) £m	Net change for Pensions Adjustments (b) £m	Other Differences (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	**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**

a) 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 and capital grants used to fund that expenditure to the service lines within the Comprehensive Income and Expenditure Account. It also includes:

- **Other operating expenditure –** income received on disposal of assets and the amounts written off on those assets are added.
- **Financing and investment income and expenditure –** statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted.
- **Taxation and non-specific grant income and expenditure –** credits for capital grants receivable in the year without conditions or for which conditions were satisfied in the year are added.

b) Net change for the Pensions adjustments – this column adds the net change for the removal of pensions contributions and the addition of 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 as a result of employee service.

- **For Financing and investment income and expenditure –** the net interest on the defined benefit liability is added as a cost.

c) Other differences – this column adds other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include:

- Taxation and non-specific grant income and expenditure – the difference between what is chargeable under statutory regulations for Council Tax and Business Rates and the income recognised under generally accepted accounting practices. This is a 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 or service-specific stipulation are required to be shown within this line rather than within the Net Cost of Services.

Expenditure and Income Analysed by Nature

Expenditure/Income	**2016/17 £m**	**2017/18 £m**
Expenditure:		
~ Employee expenses	352.4	344.6
~ Other services expenses	425.3	440.5
~ Support service recharges	0.0	0.0
~ Depreciation and amortisation	46.2	43.5
~ Impairment and revaluation losses (including reductions in fair value of investment property)	11.5	94.7
~ Interest payments	18.0	17.2
~ Precepts and Levies	0.2	0.2
~ Loss on the disposal of assets	41.3	70.0
Total Expenditure	**894.9**	**1,010.6**
Income:		
~ Fees, charges and other service income	-104.1	-110.4
~ Interest and investment income (including increases in fair value of investment property)	-3.7	-3.8
~ Income from council tax	-243.1	-258.6
~ Grants	-486.7	-475.9
Total Income	**-837.6**	**-848.6**
Surplus or Deficit on the Provision of Services	**57.3**	**162.0**

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

Adjustments between accounting basis and funding basis under regulations - 2017/18	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	42.9			-42.9
~ Revaluation losses on property, plant and equipment assets	94.7			-94.7
~ Gain on held for sale assets	0.0			0.0
~ Movements in the market value of investment properties	-1.2			1.2
~ Amortisation of intangible assets	0.5			-0.5
~ Capital grants and contributions applied	-60.8			60.8
~ Revenue expenditure funded from capital under statute	14.9			-14.9
~ Amounts of non-current assets written off on disposal to the CIES	75.4			-75.4
~ Non-current assets - disposal proceeds not yet received	-2.7			2.7
Insertion of items not debited or credited to the CIES				
~ Minimum Revenue Provision	-12.5			12.5
~ Capital expenditure charged to the General Fund Balance	-5.1			5.1
Adjustments primarily involving the Capital Grants Unapplied Account				
~ Capital Grants and contributions unapplied credited to the CIES	2.5		-2.5	0.0
~ Application of Capital Grants to the Capital Adjustment Account	-1.3		1.3	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	0.0			0.0
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire fighters' pension liabilities	-4.6			4.6
~ Reversal of net charges made for retirement benefits in accordance with IAS19	75.4			-75.4
~ Employer's pensions contributions and direct payments to pensioners payable in the year	-39.3			39.3
Adjustments primarily involving the Collection Fund Adjustment Account				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-0.7			0.7
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	-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	0.3			-0.3
Total adjustments	**175.4**	**0.0**	**-1.2**	**-174.2**

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
~ Gain on held for sale assets	0.0			0.0
~ 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				
~ Minimum Revenue Provision	-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
~ Employer's 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**

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

The Comprehensive Income and Expenditure Statement in 2017/18 is showing a deficit of £162.0 million compared to a deficit of £123.6 million in 2016/17. The main reasons for this are a higher number of transfer of schools transferring to Academy status and hence a higher loss on transfer as shown in note 4 below, and a higher revaluation loss on property, plant and equipment assets as a result of revaluing a greater number of assets, as shown in note 8.

There has been no significant restatement of prior year figures.

Note 4: Other operating expenditure

2016/17 £ m	Other operating expenditure	2017/18 £ m
0.2	Environment Agency Levy	0.2
41.3	Losses on disposal/transfer of non-current assets	70.0
41.5		**70.2**

Note 5: Financing and investment income and expenditure

2016/17 £ m	Financing and investment income and expenditure	2017/18 £ m
18.0	Interest payable and similar charges	17.2
23.8	Net interest on the net defined benefit liability	20.9
-3.1	Interest receivable and similar income	-2.5
-0.6	Gains realised on available for sale assets	0.0
-13.7	Trading account income	-13.0
12.9	Trading account expenditure	13.8
1.0	Income and expenditure on investment properties and changes in their fair value	-1.2
0.4	Other investment expenditure	0.4
-0.7	Other investment income	-1.0
38.0		**34.6**

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

2016/17 £ m	Taxation and Non Specific Grant income and expenditure	2017/18 £ m
-243.1	Council tax income	-258.6
	Business rates income and expenditure	
-35.5	~ Retained business rates	-37.9
-25.3	~ Business rates top up	-24.1
-0.5	Business rates pool growth (WCC share)	-1.0
-0.6	Business rates pool surplus	-1.2
-37.5	Revenue Support Grant	-20.4
	Other non-ringfenced Government grants	
-5.6	~ Fire Pensions Fund Grant	-4.6
-16.9	~ Revenue grants	-26.8
-48.5	~ Capital grants and contributions	-50.3
-413.5		**-424.9**

Note 7: Transfers to/from earmarked reserves

Movement in earmarked reserves	Balance at 31 March 2016 (Restated) £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2017 £ m	Transfers Out £ m	Transfers In £ m	Balance at 31 March 2018 £ m
Schools Balances (under a scheme of delegation)	17.6	-2.9	0.0	14.7	-2.2	0.0	12.5
Insurance Fund	8.5	-0.1	0.0	8.4	0.0	0.5	8.9
Dedicated Schools Grant	0.0	0.0	0.0	0.0	0.0	1.0	1.0
Business Rates Appeals Reserve	1.0	0.0	0.0	1.0	1.6	0.0	2.6
Business Rates Pool Reserve	0.3	0.0	0.6	0.9	0.0	1.3	2.2
Redundancy Fund	12.7	-0.3	0.0	12.4	-0.5	0.0	11.9
Capacity Building Fund	1.4	0.0	0.8	2.2	2.0	0.0	4.2
Elections Reserve	0.5	0.0	0.3	0.8	-0.6	0.0	0.2
Medium Term Contingency	17.3	-1.4	0.0	15.9	-0.7	0.0	15.2
Adult Social Care (Better Care Fund) Reserve	0.0	0.0	1.2	1.2	0.0	2.0	3.2
Schools In Financial Difficulty	0.0	0.0	0.0	0.0	0.0	2.2	2.2
Corporate Systems Replacement Fund	0.0	0.0	0.0	0.0	0.0	2.7	2.7
Social Care Support Savings	9.6	-3.1	0.0	6.5	0.0	5.5	12.0
Strategic Commissing Savings	5.8	-1.1	0.0	4.7	0.0	1.4	6.1
Other Business Unit savings and earmarked reserves (net movement)	37.7	-8.3	9.2	38.6	-16.2	9.1	31.5
Total	**112.4**	**-17.2**	**12.1**	**107.3**	**-16.6**	**25.7**	**116.4**

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 allocated to the Council's business units can be found in the One Organisational Plan Progress Report, available at https://www.warwickshire.gov.uk.

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 and open spaces £ m	Assets under construction £ m	Total £ m
Gross book value at 1 April 2017	830.6	2.9	56.8	563.0	3.2	35.5	1,492.0
Depreciation balance at 1 April 2017 (Restated)	-45.8	0.0	-44.3	-165.0	-0.3	0.0	-255.4
Net book value at 1 April 2017	**784.8**	**2.9**	**12.5**	**397.9**	**3.0**	**35.4**	**1,236.5**
Changes in the year							
~ opening balance adjustment	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
~ reclassifications	3.0	-1.7	0.0	0.0	0.0	0.0	1.3
~ spending on assets	19.5	0.0	2.1	21.1	0.2	18.7	61.7
~ transfer of assets under construction to operational assets on project completion	12.4	0.0	0.0	4.6	0.2	-19.3	-2.1
~ value of assets we have sold/transferred	-78.2	0.0	-2.3	0.0	0.0	-0.1	-80.6
~ changes in the value of assets: revaluation	-102.9	-1.1	0.0	0.0	-0.8	0.0	-104.8
~ reversal of prior year impairments and revaluation losses	12.8	0.0	0.0	0.0	0.0	0.0	12.8
Depreciation							
~ opening balance adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	37.1	0.0	0.0	0.0	0.3	0.0	37.4
~ depreciation written off on disposal	3.7	0.0	2.0	0.0	0.0	0.0	5.7
~ depreciation	-20.5	0.0	-3.6	-18.8	-0.1	0.0	-43.0
Net book value at 31 March 2018	**671.6**	**0.2**	**10.7**	**404.8**	**2.8**	**34.7**	**1,124.8**
Gross book value at 31 March 2018	697.1	0.2	56.6	588.7	2.8	34.8	1,380.1
Depreciation balance at 31 March 2018	-25.5	0.0	-45.9	-183.8	-0.1	0.0	-255.3
Net book value at 31 March 2018	**671.6**	**0.2**	**10.8**	**404.8**	**2.8**	**34.7**	**1,124.8**

Property, plant and equipment	Land and buildings £ m	Surplus assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks and 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
~ reversal of prior year impairments and revaluation losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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**

Our land and building assets includes schools, fire stations, libraries, waste disposal sites and other buildings. Assets we have sold or transferred mainly relate to schools that have transferred to Academy status during the year.

Depreciation

We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 58 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 30 years for equipment).

Capital commitments

At 31 March 2018, the authority had 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 is £36.7 million. Similar commitments at 31 March 2017 were £22.9 million.

The three largest outstanding commitments are as follows:

1. Rural Broadband Project Contract 3 - £13.0 million
2. Balfour Beatty Highways Maintenance Contract - £12.9 million.
3. Rural Broadband Project Contract 2 - £6.8 million

Effects of changes in estimates

There have been no material changes to our accounting estimates for property, plant and equipment in 2017/18.

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. 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**	**10.7**	**404.8**	**2.8**	**34.7**	**453.0**
Valued at current value as at:							
31st March 2018	571.4	0.2	0.0	0.0	0.0	0.0	**571.6**
31st March 2017	4.2	0.0	0.0	0.0	0.0	0.0	**4.2**
31st March 2016	3.0	0.0	0.0	0.0	0.0	0.0	**3.0**
31st March 2015	5.7	0.0	0.0	0.0	0.0	0.0	**5.7**
31st March 2014	87.3	0.0	0.0	0.0	0.0	0.0	**87.3**
Total cost or valuation	**671.6**	**0.2**	**10.7**	**404.8**	**2.8**	**34.7**	**1,124.8**

Valuation of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

All our Surplus Assets fall within the Level 2 Fair value category, valued using Observable Inputs. There has been no change in these categorisations during the year

Note 9: School property, plant and equipment

The value of our school property, plant and equipment is £539.7 million (2016/17 - £652.6 million). The table below shows a breakdown across the various types of school.

School Property, plant and equipment At 31 March 2018	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	144.7	129.1	2.6	276.5	85
Voluntary Aided Schools	55.2	43.0	0.0	98.2	31
Voluntary Controlled Schools	61.0	42.1	0.0	103.1	40
Foundation Schools	28.9	33.0	0.0	62.0	8
Net book value at 31 March 2018	**289.8**	**247.3**	**2.6**	**539.7**	**164**

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**

The number of schools has reduced by fourteen. There were two schools which both consisted of two sites; these sites were reported as separate schools in 2016/17, but were merged in 2017/18. Twelve schools chose to take up academy status in 2017/18.

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 £4.3 million (£4.2m in 2016/17). There have been no significant acquisitions during 2017/18 and there have not been any significant disposals of heritage assets. More detailed information about the specific heritage assets we hold is on our website https://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.

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 2017 £ m	Investment properties	31 March 2018 £ m
0.4	Direct net operating expense arising from investment property	0.1
0.4	**Net gain/loss (-)**	**0.1**

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

31 March 2017 £ m	Investment properties	31 March 2018 £ m
40.4	Balance at the start of the year	58.8
-0.9	Opening balance adjustment	0.0
20.7	Reclassifications	-1.3
0.1	Additions	0.2
-0.5	Disposals	0.0
-1.0	Net gains/losses (-) from fair value adjustments	1.2
58.8	**Balance at the end of the year**	**58.9**

The table below shows the fair value of these classes of assets.

Investment Properties - Fair value	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
31st March 2017	35.4	23.3	0.1	58.8
31st March 2018	23.6	35.3	0.0	58.9

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 accounted for as a hardware item of property, plant and equipment. Our intangible assets include both purchased licences and internally generated software.

All software is valued at historic cost. 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 (£0.5 million in 2016/17) charged to revenue in 2017/18 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 2016/17 £ m	Intangible assets	Software licences we have bought 2017/18 £ m
3.9	Gross book Value at 1 April	4.2
-2.5	Amortisation balance at 1 April	-3.0
1.4	**Net book value at 1 April**	**1.2**
	Changes in the year	
0.1	~ Opening Balance Adjustment	0.0
0.0	~ Spending on assets	1.5
0.2	~ Transfer from work in progress to complete	2.1
	Amortisation	
-0.5	~ Amortisation	-0.5
1.2	**Net book value at 31 March**	**4.3**
4.2	Gross book Value at 31 March	7.8
-3.0	Amortisation balance at 31 March	-3.5
1.2	**Net book value at 31 March**	**4.3**

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 2017 (restated)			31 March 2018		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Financial Assets						
Investments:						
~ Loans and receivables	30.2	0.0	30.2	50.4	0.0	50.4
~ Available-for-sale financial assets	43.8	2.2	46.0	43.4	2.0	45.4
Total investments	**74.0**	**2.2**	**76.2**	**93.8**	**2.0**	**95.8**
Debtors:						
~ Loans and receivables	0.0	0.0	0.0	0.0	0.5	0.5
~ Financial assets carried at contract amounts	36.7	0.0	36.7	42.6	0.0	42.6
Total Debtors	**36.7**	**0.0**	**36.7**	**42.6**	**0.5**	**43.1**
Cash:						
~ Loans and receivables (cash and cash equivalents)	162.7	0.0	162.7	190.3	0.0	190.3
Total Cash	**162.7**	**0.0**	**162.7**	**190.3**	**0.0**	**190.3**
Total Financial assets	**273.4**	**2.2**	**275.6**	**326.7**	**2.5**	**329.2**

The figures presented for 2016/17 in the above table have been adjusted to correct a presentation error made in last year's Statement of Accounts. In that document, we included £43.8 million of investments in the "Financial assets as fair value through profit and loss" category. These assets are actually investments in bond funds, which were (correctly) treated elsewhere in our accounts as "Available-for-sale financial assets". The only incorrect presentation was in this note, and so we have agreed with our auditors to restate the prior year figures in this note.

Financial Assets and liabilities	31 March 2017			31 March 2018		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Financial Liabilities						
Borrowings:						
~ Financial liabilities at amortised cost	1.1	352.3	353.4	9.7	352.3	362.0
Total Borrowings	**1.1**	**352.3**	**353.4**	**9.7**	**352.3**	**362.0**
Creditors:						
~ Financial liabilities at contractual amounts	67.3	0.0	67.3	73.2	0.0	73.2
Other short term liabilities:						
Total	**67.3**	**0.0**	**67.3**	**73.2**	**0.0**	**73.2**
Total Financial Liabilities	**68.4**	**352.3**	**420.7**	**82.9**	**352.3**	**435.2**

Reconciliation to Balance Sheet carrying amounts	2016/17 £m	2017/18 £m
Debtors that are financial instruments	36.7	42.6
Debtors that are not financial instruments	20.1	21.4
Total Debtors	**56.8**	**64.0**
Creditors that are financial instruments	67.3	73.2
Creditors that are not financial instruments	25.5	33.6
Total Creditors	**92.8**	**106.8**

Comparison with Fair Values	2016/17 £m	2017/18 £m
Financial Assets at carrying amount	275.6	329.2
Financial Assets at fair value	275.6	329.2
Effects of fair value	**0.0**	**0.0**
Financial Liabilities at carrying amount	420.7	435.2
Financial Liabilities at fair value	609.5	617.1
Effects of fair value	**188.8**	**181.9**

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 £2.0 million at 31 March 2018.

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 2017/18 and no changes in the valuation techniques for financial instruments during the year.

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

Financial Instruments - Fair value 31 March 2018	**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	50.4	0.0	50.4
~ Available-for-sale financial assets	0.0	43.4	2.0	45.4
Debtors				0.0
- Financial assets carried at contractual amounts (deemed to be fair value)	43.1	0.0	0.0	43.1
Cash:-				
- Loans and receivables (cash and cash equivalents) - deemed to be fair value	190.3	0.0	0.0	190.3
Total Financial Assets	**233.4**	**93.8**	**2.0**	**329.2**
Financial Liabilities:-				
Borrowings:-				
- Financial liabilities carried at amortised cost	0.0	543.9	0.0	543.9
Creditors:-				
- Financial liabilities carried at contractual amounts (deemed to be fair value)	73.2	0.0	0.0	73.2
Total Financial Liabilities	**73.2**	**543.9**	**0.0**	**617.1**

Financial Instruments - Fair value 31 March 2017 (Restated)	**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	43.8	2.2	46.0
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**

Interest paid and investment income received	Interest expense in (Surplus)/Deficit on the Provision of Services		Investment income in (Surplus)/Deficit on the Provision of Services		Gain or (loss) on revaluation of financial assets in Other Comprehensive Income and Expenditure	
	2016/17 £m	2017/18 £m	2016/17 £m	2017/18 £m	2016/17 (restated) £m	2017/18 £m
~ Financial liabilities at amortised cost	-18.0	-17.2	0.0	0.0	0.0	0.0
~ Financial assets (loans and receivables)	0.0	0.0	3.1	2.5	0.0	0.0
~ Financial assets (available-for-sale)	0.0	0.0	0.6	0.0	3.0	-0.6

Note 14: Debtors

31 March 2017 (Restated) £ m	Short-term debtors	31 March 2018 £ m
11.1	Central Government bodies	8.4
6.9	Local authorities	9.7
2.4	Health Service bodies	4.8
0.0	Public Corporations	0.0
36.4	Other entities and individuals	41.1
56.8	**Balance at the end of the year**	**64.0**

Note 15: Cash and cash equivalents

31 March 2017 £ m	Cash and cash equivalents	31 March 2018 £ m
12.7	Cash held by the authority (including schools and imprest accounts)	18.8
150.0	Bank current accounts (call accounts and instant access deposit accounts)	171.5
0.0	Short-term deposits with building societies and other institutions less than 3 months maturity	0.0
162.7	**Total cash and cash equivalents**	**190.3**

Note 16: Assets held for sale

31 March 2017 £ m	Current assets held for sale	31 March 2018 £ m
0.8	Balance outstanding at start of year	0.3
0.3	Assets newly classified as held for sale	0.0
-0.8	Assets sold	-0.3
0.3	**Balance outstanding at year end**	**0.0**

All our Assets held for Sale fall within the Level 1 Fair value category, valued from Quoted Market Prices. No categorisation changes occurred during the year.

Note 17: Creditors

31 March 2017 (Restated) £ m	Creditors	31 March 2018 £ m
8.2	Central Government bodies	7.4
6.4	Local authorities	5.9
2.4	Health Service bodies	1.9
0.0	Public corporations and trading funds	0.0
75.8	Other entities and individuals	91.7
92.8	**Balance at the end of the year**	**106.8**

Note 18: Provisions

Our provisions total £8.0 million (£7.2 million 2016/17).

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 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 for the District and Borough Councils in Warwickshire. We cannot predict when these appeals may be raised or settled, 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 £3.6 million.

We have reassessed the balance of liabilities between the county council and the Firefighters' Pension Fund. 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 £1.8 million, are individually insignificant.

Note 19: Usable Reserves

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

31 March 2017 £ m	Usable reserves	31 March 2018 £ m
25.1	General Fund	29.2
107.3	Earmarked Reserves	116.4
1.0	Capital Fund	1.2
2.6	Capital Grants Unapplied	1.4
136.0	**Total usable reserves**	**148.2**

Note 20: Unusable Reserves

31 March 2017 £ m	Unusable reserves	31 March 2018 £ m
144.2	Revaluation Reserve	174.6
840.1	Capital Adjustment Account	706.5
0.0	Financial Instruments Adjustment Account	0.0
5.1	Available for Sale Financial Instruments Reserve	4.5
-7.0	Accumulated Absences Reserve	-7.3
2.6	Collection Fund Adjustment Account	3.7
-801.8	Pensions Reserve	-787.0
183.2	**Total unusable reserves**	**95.0**

Revaluation Reserve

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

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

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

2016/17 £ m	Movement in the capital reserves and accounts - Revaluation Reserve	2017/18 £ m
152.9	Balance on 1 April	144.2
-5.0	Opening balance adjustments	-0.1
25.0	Revaluation increases	57.5
0.0	Revaluation decreases	-17.2
-6.0	Depreciation adjustment to Capital Adjustment Account	-4.1
-22.7	Revaluation written off on disposal	-5.7
144.2	**Balance on 31 March**	**174.6**

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 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 (Restated) £ m	Movement in the capital reserves and accounts - Capital Adjustment Account	2017/18 £ m
834.5	Balance on 1 April	840.1
3.7	Opening balance adjustments	0.0
-11.5	Revaluation decrease	-107.5
0.0	Revaluation increase	14.0
6.0	Depreciation adjustment to Revaluation Reserve	4.1
22.7	Revaluation written off on disposal	5.7
-39.9	Value of asset disposals	-75.3
-12.6	Transfer of spending on assets we do not own	-14.9
-19.2	Transfers to and from the revenue account	-31.0
56.4	Money used to buy assets	68.6
0.0	Disposal proceeds not yet received	2.7
840.1	**Balance on 31 March**	**706.5**

Financial Instruments Adjustment Account

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

We have not received any discounts or paid any premiums in 2017/18.

31 March 2017 £ m	Financial Instruments Adjustment Account	31 March 2018 £ m
0.1	Balance on 1 April	0.0
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.0
0.0	**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 2017 £ m	Available for Sale Financial Instruments Reserve	31 March 2018 £ m
2.1	Balance on 1 April	5.1
1.2	Unrealised gains/losses on financial assets not charged to the surplus/deficit on the provision of services	-0.3
1.8	Movement in valuation of investments not charged to Surplus/Deficit on the provision of services	-0.2
5.1	**Balance on 31 March**	**4.5**

Accumulated Absences Account

The Accumulated Absences Account absorbs the amounts that would otherwise affect the General Fund 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 is neutralised by transfers to or from the Account.

31 March 2017 £ m		Movement in Accumulated Absences Account	31 March 2018 £ m	
	-2.1	Balance at 1 April		-7.0
2.1		Settlement or cancellation of accrual made at the end of the preceding year	7.0	
-7.0		Amounts accrued at the end of the current year	-7.3	
	-4.9	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		-0.3
	-7.0	**Balance at 31 March**		**-7.3**

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 2017 £ m	Movement in Collection Fund Adjustment Account	31 March 2018 £ m
0.9	Balance at start of year	2.6
-0.8	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	0.7
2.5	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements	0.4
2.6	**Balance at end of year**	**3.7**

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 2017 £ m	Pensions Reserve - All Schemes	On 31 March 2018 £ m
-681.4	Balance as 1 April	-801.8
-94.3	Remeasurements of net defined (liability)/asset	46.3
-72.4	Reversal of net charges made for retirement benefits	-75.4
40.8	Employer's pension contributions and direct payments to pensioners payable in the year	39.3
5.6	Grant funding of firefighters' pensions liabilities	4.6
-801.8	**Balance at 31 March**	**-787.0**

Note 21: Cash Flow Statement – operating activities

31 March 2017 £ m	Cash flows from operating activities	31 March 2018 £ m
	Cash Inflows from operating activities:-	
243.9	~ Council tax receipts	257.9
58.5	~ Business rates receipts	62.0
37.5	~ Revenue Support Grant	20.4
331.3	~ other Government grants (Note 24)	337.3
106.1	~ cash received for goods and services	114.8
2.9	~ interest received (cash received)	2.5
	Cash Outflows from operating activities:-	
-352.4	~ cash paid to and on behalf of employees	-344.6
-381.0	~ other operating cash payments	-397.5
-18.0	~ interest paid	-8.6
28.8	**Total net cash flows from operating activities**	**44.2**

Note 22: Cash Flow Statement – investing activities

31 March 2017 £ m	Cash flows from investing activities	31 March 2018 £ m
-71.6	Purchase of property,plant and equipment, investment property and intangible assets	-62.9
9.8	Proceeds or purchase (-) of short-term and long-term investments	-20.2
0.7	Other receipts or payments (-) for investing activities	1.0
2.9	Proceeds from the sale of property, planty and equipment, investment property and intangible assets	2.8
47.9	Other receipts from investing activities - capital grants	63.2
-10.3	**Net cash flows from investing activities**	**-16.1**

Note 23: Cash Flow Statement – financing activities

31 March 2017 £ m	Cash flows from financing activities	31 March 2018 £ m
0.0	Cash payments in respect of short-term and long-term borrowing	-0.5
-25.0	Repayments of short and long term borrowing	0.0
0.0	Cash payments for the reduction of outstanding liabilities in relation to finance leases	0.0
-25.0	**Net cash flows from financing activities**	**-0.5**

Note 24: Grant Income

We credited the following grants to the Comprehensive Income and Expenditure Statement in 2017/18:

Actual income 2016/17 (Restated) £ m	Grant income	Actual income 2017/18 £ m
	Revenue grants credited to Services:	
239.6	Dedicated Schools Grant	233.9
10.5	Pupil Premium Grant	10.1
5.9	Sixth Form Funding	3.8
2.4	Other Schools Grants	2.8
2.6	Asylum seekers	2.6
24.2	Public Health Grant	23.6
5.1	Universal Infant Free School Meals	5.3
12.3	Better Care Fund	12.5
3.9	Other revenue grants	5.8
306.5	**Total revenue grants**	**300.4**
	Capital grants and contributions credited to services:	
3.5	Disabled Facilities Grant	3.8
1.7	Environment Agency	0.5
0.1	Private developer funding	2.9
3.9	Other grants/contributions	2.1
9.2	**Total capital grants and contributions**	**9.3**
315.7	**Total**	**309.7**

Actual income 2016/17 £ m	Grant income	Actual income 2017/18 £ m
	Credited to Taxation and Non Specific Grant Income:	
1.5	Business Rates Retention/Compensation Scheme	1.9
3.0	Transition Grant	3.0
3.6	Education Services Grant	2.4
0.0	Better Care Fund	10.5
3.0	New Homes Bonus	2.8
1.9	Independent Living Fund Grant	1.9
1.1	Tackling Troubled Families	1.3
0.0	Chilldrens Social Innovation Programme	1.3
1.5	Other Grants	2.4
15.6	**Total revenue grants**	**27.6**
	Capital grants and contributions:	
2.5	Devolved Formula Capital	1.3
12.8	Schools Maintenance and Basic Need	11.1
0.8	Network Rail	1.2
1.1	Fire Capital Grant	0.0
16.6	Local Transport Plan & other transport grants	19.9
2.6	Contribution from other local authorities	1.3
12.0	Private developer funding	15.3
0.1	Other grants/contributions	0.1
48.5	**Total capital grants**	**50.3**
64.1	**Total**	**77.9**

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

The balances at year end are as follows:

31 March 2017 £ m	Grant receipts in advance	31 March 2018 £ m
	Short-term grant receipts in advance - revenue	
0.2	Other grants	0.5
0.2	**Total revenue grants**	**0.5**
	Long-term grant receipts in advance - capital	
1.5	Devolved Formula Capital	1.6
19.9	Private developer funding and capital receipt deposits	32.9
1.5	Other grants/contributions	1.2
22.9	**Total capital grants**	**35.8**
23.1	**Total**	**36.3**

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

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

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including Amendments to IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

These standards all apply to local authority accounts in 2018/19.

IFRS 9 Financial Instruments introduces new classifications for financial assets, and requires a different model to be applied for estimating and disclosing impairment allowances in relation to financial assets. This change will be presented as an opening adjustment in Warwickshire's 2018/19 accounts.

We have considered the impacts upon our financial assets and, while some of our investments will change classification, we anticipate that there will be no change to the balance sheet values presented within the 2017/18 accounts. We have also determined that there is no need to recognise any impairment allowances for our financial assets as the only items in the relevant class have very low credit risk and very low expected credit losses.

IFRS 15 Revenue from Contracts with Customers (including the Amendments and Clarification) applies to contracts under which the council receives income from service recipients. The standard requires local authorities to recognise income from such contracts when the individual performance obligation(s) within a contract are met. We have considered the contractual income received by the council and determined that there will be no material change required upon transition.

IAS 12 Income Taxes is not relevant to a local authority's single entity accounts as local authorities are not subject to corporation tax. Furthermore, Warwickshire does not consolidate any entities which are subject to corporation tax into group accounts, and so the changes to this standard are not expected to have any impact.

The amendments to IAS 7 Statement of Cash Flows relate to requirements for specific disclosures. These are covered by the Warwickshire's existing disclosures and as such there is expected to be no impact on our 2018/19 accounts.

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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £3.4 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 £152.1 million. See note 38 for further examples. During 2017/18, our actuaries advised that the net pensions' liability has decreased by £14.8 million mainly as a result of an actuarial gain.
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 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. 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: 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 from borrowing (resulting in future revenue charges), the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically yet to be financed. The CFR is analysed in the second part of this note.

2016/17 £ m	Capital financing requirement (IFRS)	2017/18 £ m
319.4	Opening requirement	316.7
	Capital investment:	
70.8	- Property, plant & equipment	61.7
0.1	- Heritage assets	0.0
0.0	- Intangible assets	1.5
0.1	- Investment property	0.2
12.6	- Revenue spending from capital under statute	14.9
83.6	**Total capital investment**	**78.3**
	Sources of finance:	
-2.8	- Capital receipts	-2.8
-56.4	- Government grants and other contributions	-60.8
	- Sums set aside from revenue:	
-11.3	- Direct revenue contributions	-5.1
-15.7	- MRP	-12.5
-86.3	**Total sources of income**	**-81.1**
316.7	**Closing capital financing requirement**	**314.0**

2016/17 £ m	Explanation of movements in the year	2017/18 £ m
-2.7	Change in underlying need to borrow	-2.7
-2.7	**Increase/decrease(-) in Capital Financing Requirement**	**-2.7**

Note 28: Critical judgements in applying accounting policies

In applying our accounting policies as set out at the start of this document, 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.

- 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 41. These are not material and we have not prepared group accounts on this basis.

Note 29: Dedicated Schools' Grant

Our spending on schools is funded primarily by a grant provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

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 2018. The 2017/18 early years adjustment has yet to be announced.

We confirm that the Dedicated Schools' Grant received in 2017/18 was £233.9 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.

Details of the deployment of DSG receivable for 2017/2018 are shown below.

2016/17 Total £ m		2017/18 Central Spending £ m	2017/18 Individual schools budget (ISB) £ m	2017/18 Total £ m
380.4	Final DSG for the year before Academy recoupment	76.1	315.6	391.7
-140.9	Less Academy recouped for the year	0.0	-157.8	-157.8
239.5	Total DSG after Academy recoupment for the year and agreed initial budget distribution in the year.	76.1	157.8	233.9
0.0	Plus DSG brought forward from the previous year	0.0	0.0	0.0
0.0	Less DSG Carry forward to next year agreed in advance	0.0	0.0	0.0
239.5	Agreed initial budgeted distribution in the year	76.1	157.8	233.9
0.1	In year Adjustments	0.0	0.0	0.0
239.6	Final budgeted DSG distribution for the year	76.1	157.8	233.9
-68.9	Actual central spending for the year	-75.1	0.0	-75.1
-171.6	Actual ISB deployed to schools	0.0	-157.9	-157.9
0.9	Our contribution in the year	0.0	0.0	0.0
0.0	**Under spend for the year (carried forward)**	**1.0**	**-0.1**	**0.9**

Note 30: Events after the Balance Sheet date

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, twelve Warwickshire schools chose to take up the new academy status in 2017/18 and a further eighteen Warwickshire schools are anticipated to also convert to academy status in 2018/19 and beyond. Eleven community schools, five voluntary controlled or voluntary aided schools and two foundation schools have applied to the Department for Education to convert to academy status after 1 April 2018. 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 2018 will be in the region of £108 million.

Note 31: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2016/17) for the year in relation to the audit of the Statement of Accounts and certification of grant claims provided by our external auditors.

Note 32: 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 2017 £ m	Operating lease period	31 March 2018 £ m
1.5	Not later than 1 year	1.5
4.1	Later than 1 year and not later than 5 years	4.2
9.3	Later than 5 years	9.6
14.9	**Total**	**15.2**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The contingent rent is not material to the financial statements.

Note 33: Contingent assets

We currently have no contingent assets.

Note 34: Contingent liabilities

We have an ongoing dispute with a civil engineering contractor.

Note 35: Members' allowances

Elected members were paid a total of £0.779 million (£0.838 million in 2016/17) in allowances and expenses. In addition we paid independent and co-opted members allowances and expenses of £0.021 million (£0.021 million in 2016/17). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2017/18 are available on our website https://www.warwickshire.gov.uk. Payments to elected Members include expenses for the Police and Crime Panel which are reimbursed by the Home Office.

Note 36: 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, available via https://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 as laid out in the Treasury Management Strategy.

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, there is no significant risk that we will be unable to raise finance to meet our future 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. To mitigate this, our 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:

2016/17 £ m	Loans we have not yet repaid	2017/18 £ m
	We owe money to:	
353.4	~ Public Works Loans Board	353.4
0.0	~ Public Works Loans Board - Accrued Interest	8.6
353.4	**Total**	**362.0**
	When we will pay the money back:	
1.1	Less than 1 year	9.7
0.0	Between 1 and 2 years	0.0
30.0	Between 2 and 5 years	30.0
0.0	Between 5 and 10 years	0.0
322.3	More than 10 years	322.3
353.4	**Total**	**362.0**

Our level of borrowing is due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2017/18 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 2018, 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 million in 2016/17)
- A decrease in fair value of fixed borrowing of £85.9 million (£89.3 million in 2016/17).

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. 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 specific interests and we are not in a position to diversify our portfolio. The current value of the shareholding is £2.0 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 2017/18 this amounted to a loss of £0.2 million. We also have a number of investment holdings where any movements in their values are not realised until they are disposed of. We have not disposed of any of these holdings this year. At 31 March each year we account for the current increase or decrease in its value by recognising this change as an unrealised gain or loss. At 31 March 2018 we recognised a total unrealised loss of £0.4 million in the Comprehensive Income and Expenditure Account. Both these losses are reversed through the Movement in Reserves Statement to create no net impact on the General Fund.

Treasury management

We take into account CIPFA’s Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes and the Ministry for Housing, Communities and Local Government guidance on local government investments issued in March 2004. An updated version of the latter was released in February 2018 to apply to accounting periods from 1st April 2018 onwards.

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 37: 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.

2016/17 Staff (revised total)		Remuneration	2017/18 Staff		Staff Left in the Year		Revised Total	
Schools	Other		Schools	Other	Schools	Other	Schools	Other
77	63	£50,000 - £54,999	61	67	0	0	61	67
53	40	£55,000 - £59,999	57	20	1	0	56	20
30	15	£60,000 - £64,999	37	29	1	2	36	27
20	10	£65,000 - £69,999	17	19	0	0	17	19
14	6	£70,000 - £74,999	12	6	0	0	12	6
6	16	£75,000 - £79,999	5	14	0	0	5	14
3	2	£80,000 - £84,999	3	1	0	0	3	1
3	1	£85,000 - £89,999	3	1	0	0	3	1
0	5	£90,000 - £94,999	0	4	0	0	0	4
0	3	£95,000 - £99,999	0	3	0	0	0	3
0	2	£100,000 - £104,999	0	2	0	0	0	2
0	0	£105,000 - £109,999	0	1	0	0	0	1
1	1	£110,000 - £114,999	0	0	0	0	0	0
0	0	£115,000 - £119,999	0	0	0	0	0	0
0	0	£120,000 - £124,999	0	0	0	0	0	0
0	0	£125,000 - £129,999	0	0	0	0	0	0
1	0	£130,000 - £134,999	0	0	0	0	0	0
208	**164**		**195**	**167**	**2**	**2**	**193**	**165**

A number of employees left during 2017/18, incurring costs of £1.8 million (£2.5 million in 2016/17). 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 £ m	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	11	2	86	95	97	97	0.596	0.571
£20,001 - £40,000	5	0	16	14	21	14	0.587	0.379
£40,001 - £60,000	1	0	12	4	13	4	0.587	0.183
£60,001 - £80,000	0	1	3	2	3	3	0.207	0.202
£80,001 - £100,000	0	0	1	0	1	0	0.082	0.000
£100,001 - £150,000	0	0	2	1	2	1	0.257	0.128
£150,001 - £200,000	0	0	0	0	0	0	0.000	0.000
£200,001 - £250,000	0	0	1	0	1	0	0.207	0.000
£250,001 - £300,000	0		0	1	0	1	0.000	0.291
	17	**3**	**121**	**117**	**138**	**120**	**2.523**	**1.754**

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)	2016/17	148,171	0	0	148,171	27,041	175,212
	2017/18	n/a	n/a	n/a	n/a	n/a	n/a
Joint Managing Director & Strategic Director, Communities - Monica Fogarty (Note2)	2016/17	141,269	0	0	141,269	25,782	167,051
	2017/18	160,000	0	0	160,000	30,560	190,560
Joint Managing Director & Strategic Director, Resources - David Carter (Note 3)	2016/17	141,269	0	0	141,269	0	141,269
	2017/18	160,000	0	0	160,000	2,579	162,579
Strategic Director, People Group (Note 4)	2016/17	n/a	n/a	n/a	n/a	n/a	n/a
(Note 5)	2017/18	74,031	0	0	74,031	14,140	88,171
Chief Fire Officer	2016/17	122,264	0	0	122,264	26,531	148,795
	2017/18	123,981	0	0	123,981	26,904	150,885
Head of Public Health - Dr John Linnane (Note 6)	2016/17	160,077	797	0	160,874	22,891	183,765
	2017/18	161,103	0	0	161,103	23,167	184,270
Head of Finance (Section 151 Officer)	2016/17	106,427	0	0	106,427	19,423	125,850
	2017/18	107,223	0	0	107,223	20,480	127,703
Head of Education & Learning (Chief Education Officer)	2016/17	89,954	0	0	89,954	16,417	106,371
(Note 7)	2017/18	81,473	0	0	81,473	15,562	97,035
Monitoring Officer (Note 8)	2016/2017	n/a	n/a	n/a	n/a	n/a	n/a
	2017/2018	104,069			104,069	19,877	123,946
Total 2016/2017		**909,431**	**797**	**0**	**910,228**	**138,085**	**1,048,314**
Total 2017/2018		**971,880**	**0**	**0**	**971,880**	**153,269**	**1,125,149**

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: Strategic Director, Communities took on the role of Joint Managing Director from 4 February 2017.

Note 3: Strategic Director, Resources took on the role of Joint Managing Director from 4 February 2017. This includes the role of Head of Paid Service. They also held the post of Monitoring Officer until 31 March 2017.

Note 4: Payments to the Interim Strategic Director, People Group were via an Agency and for the period 1 April 2016 to 31 August 2017. Payments in 2017/18 were £117,972 (£312,064 in 2016/17). The Strategic Director, People Group holds the posts of Director of Children's Services and Director of Adult Social Services.

Note 5: The new Strategic Director, People Group started on 1 September 2017. The annualised salary for 2017/18 is £126,911.

Note 6: The standard salary for the Head of Public Health is £101,451. 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 7: 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 October 2016 to March 2017 was £61,675. A new Head of Education and Learning started on 25 September 2017. The annualised salary for 2017/2018 was £82,390.

Note 8: The Monitoring officer post in 2016/17 was covered by the Strategic Director, Resources. From 1 April 2017 this was covered by the Head of Law and Governance. The table includes the salary for both roles respectively.

Note 38: Pension schemes

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.

Pension Schemes operated by the Council

Teachers
We operate a pension scheme for our teaching staff, under the Superannuation Act 1972. The scheme provides teachers with a defined benefit when they retire. The Teachers' Pensions Agency manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The Government sets teachers' and employers' contribution rates on the basis of an assumed fund. The scheme has a large number of participating employers and so 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 our Statement of Accounts, the scheme is therefore accounted for on the same basis as a defined contribution scheme.

We may be required to make two kinds of contributions to the scheme – '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 the Government found that future liabilities would not be met by the normal contributions. A supplementary contribution is not needed at present. Our total employer's contribution cost was £13.1 million in 2017/18 (£14.4 million in 2016/17).

We are also responsible for paying any extra added years of benefits and early retirement costs to pensioners. These extra costs are classed as defined benefits. As a result, in our accounts we 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 these discretionary benefits and so there are no assets. In 2017/18 the payments relating to added pensionable years came to £3.0 million (£2.9 million in 2016/17). We made no payments relating to early retirement in 2017/18 or 2016/17.

Firefighters
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 we promise to provide employees with benefits under the scheme but make no advance funding in the scheme for those benefits. Benefits are paid directly when they become due.

We pay an employer's pension contribution, based on a percentage of pay, into the pension fund. The pension fund will be balanced to nil at the end of the year by either paying over to the government any excess, or by receiving cash in the form of pension top-up grant. This grant is paid to the Firefighters' Pension Fund and not the County Council. The Government sets the employees' and employer's contribution rates by regulation.

In 2017/18, pension payments totalled £6.2 million (£6.0 million in 2016/17). Costs relating to early retirement totalled £0.8 million in 2017/18 (£1.9 million in 2016/17).

The estimated employer's contributions for Fire Fighters pension for the period to 31st March 2019 will be approximately £5.7 million.

Firefighters' Injury Awards Scheme
Firefighters' injury awards are financed from our revenue account. An ongoing liability to pay injury awards is included in our Balance Sheet. This liability is subject to the same actuarial assumptions as the main firefighters' scheme, though 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. However, the liability forms part of our overall pensions' liability.

National Health Service
During 2013/14 some 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 2017/18 we paid £0.184 million (£0.248 million in 2016/17) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees' contributions.

Local Government Pension Scheme – all other Council employees
We operate a funded, defined benefit pension scheme for 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 but they are separate from the Council's financial statements. The Council and employees pay contributions into the fund calculated at a level intended to balance pension liabilities with investment assets.

An actuarial valuation is carried out every three years to assess 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 2016 set the rates for 2017/18, 2018/19 and 2019/20.

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 2017/18, we made normal employer's contributions totalling £25.4 million (£25.3 million in 2016/17).

We are also responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2017/18, these came to £1.2 million (£1.6 million in 2016/17). The estimated employer's contribution for the period to 31st March 2019 is £26.4 million.

The value of the Council's LGPS assets at 31 March 2018 is based on the market value at 31 December 2017. 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 2018.

The movement in the Council's LGPS assets in the year is as shown below:

31 March 2017 £ m	Change in Fair Value of WCC Share of LGPS Assets	31 March 2018 £ m
884.4	Fair value of assets at the beginning of the year	1,040.1
0.0	Effect of settlements	-18.9
30.9	Interest Income on plan assets	26.7
127.3	Remeasurements on assets	1.1
27.7	Employers' contributions (including receipts covering early retirements)	27.5
8.7	Member contributions	8.4
-38.9	Benefits/transfers paid	-37.5
1,040.1	**Fair value of assets at the end of the year**	**1,047.4**

A breakdown of the nature of those assets is as follows:

31 March 2017			31 March 2018	
Quoted prices in active markets £ m	Quoted prices not in active markets £ m	LGPS Assets	Quoted prices in active markets £ m	Quoted prices not in active markets £ m
		Equity securities:		
121.0	0.0	Consumer	117.5	0.0
44.2	0.0	Manufacturing	41.7	0.0
19.5	0.0	Energy and utilities	17.4	0.0
55.6	0.0	Financial institutions	56.2	0.0
37.7	0.0	Health and care	31.3	0.0
29.7	0.0	Information technology	29.1	0.0
49.6	0.0	Other	44.1	0.0
		Private equity:		
0.0	36.6	All	0.0	38.1
		Real estate:		
97.5	0.0	UK property	106.8	0.0
0.7	0.0	Overseas property	0.3	0.0
		Investment funds and unit trusts:		
258.0	0.0	Equities	269.2	0.0
176.5	0.0	Bonds	160.7	0.0
0.0	45.4	Hedge funds	44.0	0.0
0.0	12.5	Infrastructure	0.0	15.2
41.4	0.0	Other	62.3	0.0
14.1	0.0	**Cash and cash equivalents**	13.4	0.0
945.6	**94.5**	**Totals**	**994.1**	**53.3**

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2018, 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 obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes. 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.

The Impact of Pensions in our Accounts

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.

31 March 2017					Pension scheme accounting	31 March 2018				
LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury £m	Total £m		LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury £m	Total £m
					Spending:					
34.3	n/a	4.1	0.4	38.8	Current service cost	54.3	n/a	4.4	0.5	59.2
1.3	n/a	0.3	n/a	1.6	Past service cost and curtailments	1.3	n/a	0.0	n/a	1.3
0.0	n/a	n/a	n/a	0.0	Effects of Settlement	-32.0	n/a	n/a	n/a	-32.0
44.2	1.6	8.1	0.9	54.8	Interest cost	38.5	1.3	7.2	0.6	47.6
-30.9	n/a	n/a	n/a	-30.9	Interest income on plan assets	-26.7	n/a	n/a	n/a	-26.7
48.9	**1.6**	**12.5**	**1.3**	**64.3**	**Net charge to CIES**	**35.4**	**1.3**	**11.6**	**1.1**	**49.4**
					Contribution from Pensions Reserve:					
-72.8	-3.8	-45.6	1.8	-120.4	Movement on the Pensions Reserve	2.8	4.2	10.7	-2.9	14.8
51.6	5.3	39.9	-2.5	94.3	Re-measurements recognised in CIES	-29.6	-2.4	-16.6	2.3	-46.3
n/a	n/a	-5.6	n/a	-5.6	Funded by Government top up grant	n/a	n/a	-4.6	n/a	-4.6
-21.2	**1.5**	**-11.3**	**-0.7**	**-31.7**	**Contribution (from) Pensions Reserve**	**-26.8**	**1.8**	**-10.5**	**-0.6**	**-36.1**
					Actual amount charged against council tax:					
27.8	n/a	1.5	n/a	29.3	Employers contributions & ill-health contributions	27.5	n/a	1.4	n/a	28.9
27.8	**n/a**	**1.5**	**n/a**	**29.3**	**Amount charged against council tax**	**27.5**	**0.0**	**1.4**	**0.0**	**28.9**
					Amount funded by government top up grant					
n/a	n/a	7.8	n/a	7.8	Retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	6.8	n/a	6.8
n/a	n/a	0.4	n/a	0.4	Retirement Benefits paid directly by Government Top Up Grant	n/a	n/a	0.3	n/a	0.3
n/a	n/a	-1.1	n/a	-1.1	Employee contributions	n/a	n/a	-1.1	n/a	-1.1
n/a	n/a	-1.5	n/a	-1.5	Employer's contributions & ill-health contributions	n/a	n/a	-1.4	n/a	-1.4
n/a	**n/a**	**5.6**	**n/a**	**5.6**	**Government top up grant receivable**	**0.0**	**0.0**	**4.6**	**0.0**	**4.6**
					Movement in Reserves Statement					
-49.0	-1.6	-20.6	-1.3	-72.4	Reversal of net charges made for retirement benefits	-54.3	-1.3	-18.7	-1.1	-75.4
27.8	n/a	1.5	n/a	29.3	Employer's contributions & ill health contributions	27.5	n/a	1.4	n/a	28.9
n/a	3.1	7.8	0.6	11.5	Retirement benefits paid or due to be paid to pensioners and transfers out	n/a	3.1	6.8	0.5	10.4
-21.2	**1.5**	**-11.3**	**-0.7**	**-31.7**	**Movement in Reserves Statement**	**-26.8**	**1.8**	**-10.5**	**-0.6**	**-36.1**

The key assumptions used by our actuary to determine valuations are as laid out in the table below:

31 March 2017				Pension scheme assumptions	31 March 2018			
LGPS	Teachers	Firefighters	Firefighter Injury Award		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				Financial assumptions:				
2.4%	2.4%	2.4%	2.4%	Rate of Inflation CPI	2.4%	2.4%	2.4%	2.4%
3.0%	3.0%	3.4%	3.4%	Salary Increase	3.0%	3.0%	3.4%	3.4%
2.4%	2.4%	2.4%	2.4%	Pensions increases	2.4%	2.4%	2.4%	2.4%
2.6%	2.6%	2.6%	2.6%	Rate of discount	2.7%	2.7%	2.7%	2.7%
				Life expectancy assumptions:				
22.5 (24.7)	22.5 (24.7)	25.2 (26.7)	25.2 (26.7)	A male (female) current pensioner aged 65	22.5 (24.7)	22.5 (24.7)	29.5 (31.5)	29.5 (31.5)
24.3 (26.7)	24.3 (26.7)	26.6 (28.2)	26.6 (28.2)	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.7)	24.3 (26.7)	30.8 (32.8)	30.8 (32.8)
				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 2018	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.5% decrease in real discount rate	10%	152.1
1 year increase in member life expectancy	3%	44.8
0.5% increase in the salary increase rate	1%	21.3
0.5% increase in the pension increase rate	9%	128.9

The liabilities associated with each scheme are as shown in the table below:

31 March 2017				Change in present value of pension scheme liabilities during the year	31 March 2018			
LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million		LGPS £million	Teachers £million	Firefighters £million	Firefighter Injury Award £million
1,261.4	47.8	232.3	24.3	Benefit obligation at the beginning of the year	1,489.9	51.6	277.9	22.5
34.3	0.0	4.1	0.4	Current service costs	54.3	0.0	4.4	0.5
0.0	0.0	0.0	0.0	Effect of Settlements	-32.0	0.0	0.0	0.0
44.2	1.6	8.1	0.8	Interest on pensions liabilities	38.5	1.3	7.2	0.6
8.7	0.0	1.1	0.0	Member contributions	8.4	0.0	1.1	0.0
1.3	0.0	0.3	0.0	Past service costs (gain)	1.3	0.0	0.0	0.0
-39.0	-3.1	-7.8	-0.6	Benefits/transfers paid	-37.5	-3.1	-6.8	-0.5
179.0	6.4	39.8	-2.4	Remeasurements on liabilities	-28.5	-2.4	-16.6	2.3
0.0	-1.1	0.0	0.0	Changes in assumptions	0.0	0.0	0.0	0.0
1,489.9	**51.6**	**277.9**	**22.5**	**Present value of liabilities at the end of the year**	**1,494.4**	**47.4**	**267.2**	**25.4**

This leaves each scheme with a net liability as shown below:

Scheme net liability	31 March 2017 £m	31 March 2018 £m	Increase/decrease (-) in net liability £m
LGPS	449.8	447.0	-2.8
Teachers Discretionary	51.6	47.4	-4.2
Firefighters	277.9	267.2	-10.7
Firefighters Injury	22.5	25.4	2.9
All schemes	**801.8**	**787.0**	**-14.8**

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. 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.

Note 39: 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 is 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 by us and the three Clinical Commissioning Groups (CCGs) in Warwickshire. Annual contributions are agreed by the Better Together Programme Board before the commencement of each financial year thereafter. 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. For 2017-2018 the agreement includes additional aligned funding.

The total pooled budget arrangement for 2017/18 is £50.8 million of which £4.6 million is capital funding for Disabled Facilities. Of the revenue element £24.8 million has been paid to the CCGs for them to commission services and of that £5.1 million has been passed back to the authority as part of a separate S75 Integrated Community Equipment Service agreement. The remaining £21.4 million revenue funding was allocated to the council for commissioning services in accordance with the agreement.

The surplus and deficit at the end of the year on the Integrated Community Equipment Service and Better Care Fund Revenue respectively belong to the CCGs. The surplus at the end of the year on Disabled Facilities belongs to the District and Borough Councils of Warwickshire.

A new S75 agreement for the Commissioning of Mental Health Services has been agreed for 2017/2018. The pooled resources total £3.6 million with any surplus or deficits remaining within the pool, to be allocated by agreement with the Partnership Board.

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

2016/17 Surplus(-)/ deficit £ m	Pooled budgets with health	2017/18 Our contribution £ m	Total pool £ m	Total spend £ m	Surplus(-)/ Deficit £ m
	Better Care Fund Pooled Budget - S75				
-0.6	~ Integrated community equipment service	1.8	5.1	4.9	-0.2
0.6	~ Better Care Fund - Revenue other	19.0	37.5	37.7	0.2
-0.8	~ Disabled Facilities Capital Grant	0.0	4.6	2.7	-1.9
0.0	**Commissioning of Mental Health Services for Children & Young People**	0.6	3.6	3.6	0.0
-0.8	**Total**	**21.4**	**50.8**	**48.9**	**-1.9**

Note 40: 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 District and Borough 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 20).

Note 41: 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 are disclosed in note 39.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2017/18 is shown in note 35. During 2017/18 works and services to the value of £23.5 million were paid to companies in which elected members had an interest (this includes £12.6 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' Interests, open to public inspection at Shire Hall. Details of the Members and the Committees and organisations for which they represent the authority are also available on the authority's web-site www.warwickshire.gov.uk.

Senior Officers
During 2017/18 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). In addition a number of officers within the authority have become directors of our 2 new wholly owned Local Authority Trading Companies. You can see registers of members' and officers' interests at Shire Hall, Warwick or at the registered office of the company in question if this is not Shire Hall, Warwick.

Other Public Bodies

At the end of the year we owed £15.1 million to other local authorities, central government and public bodies including £5.0 million to Her Majesty's Revenue and Customs, and they owed us £22.0 million, including £3.7 million from Her Majesty's Revenue and Customs.

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).

Other Entities

We hold shares in the following companies:

Company	WCC Share holding	Directors
Warwickshire Legal Services Trading Ltd	Wholly owned LATC - £1 ordinary share capital	Two officers appointed as directors
Educaterers Ltd	Wholly owned LATC - £1 ordinary share capital + working capital loan interest at market rate	Two officers appointed as 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 Group 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

In 2017-2018 two wholly owned local authority trading companies started trading.

Warwickshire Legal Services Trading Ltd started trading on 1st October 2017. It provides legal services to other entities outside the Council and pays the authority for the services of our staff to carry out that work. It will produce its first accounts for the year to 30 September 2018. No dividends or profit distributions have yet been agreed for the trading period to date.

Educaterers Ltd, providing meals services to schools, started trading on 1st September 2017. It will produce its first accounts for the year to 30 August 2018. Most of the company's trading is with maintained schools in Warwickshire so that expenditure in already included in the authority's Comprehensive Income and Expenditure Account. A small number of vehicles and equipment of low value have been transferred to the company. Some staff have also transferred to the new trading company and the authority has given a guarantee to pay any amount or employers contributions or deficit due to the Warwickshire Pension Fund in respect of their pension liability that remains unpaid only if the company ever becomes insolvent and ceases trading. We have also agreed a working capital loan of up to £1.5 million as required for the three years to 31st August 2020 by which it must be fully repaid. Interest is charged at a market rate of 6% per annum charged periodically with interest changes mirroring that of the Bank of England Base Rate. At 31st March 2018 they owed us £0.5 million including interest not yet paid. No dividends or profit distributions have yet been agreed for the trading period to date.

We have assessed these two new companies, having due regard to the non-material external turnover of both entities, and the potential effect of consolidating them into our financial statements both quantitatively and qualitatively. We have concluded that we should not produce Group Accounts. This treatment has been agreed with our auditors and will be reviewed annually to ensure that assessment remains appropriate.

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.

We received £0.4 million in dividends from ESPO in 2017/18 (£0.4 million in 2016/17). We also received dividends from SCAPE Group Limited and University of Warwick Science Park companies totalling £0.6 million (£0.3 million in 2016/17). These figures are both shown as investment income in note 5.

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 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. Warwickshire is the supervising authority for the Gateway Alliance School Company and also processes the payroll for the Company staff, all costs of which are reimbursed in full.

West Midland Rail 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 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. The company was set up in 2002/3 in partnership with the Homes and Communities Agency and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. Our initial share was £0.720 million and each partner is committed to funding the running costs of the company in equal years until it completes its work, which is currently expected to be in 2023.

From 1 February 2018 we entered into the Regional Adoption Agency via a shared service arrangement with Solihull Metropolitan Borough Council, Coventry City Council and Worcestershire County Council. The new Regional Adoption Agency is known as Adoption Central England. We have become the host authority to facilitate the operational delivery of the shared service, however governance arrangements will ensure that all four authorities retain strategic responsibility for performance delivery and outcomes.

For 2017/2018 our contribution was £0.157 million and we received £0.405 million from the other local authorities. The total spend was £0.437 million. The underspend belonging to the Agency for 2017/18 is £0.126 million.

The County Council, as administering authority on behalf of the Warwickshire Pension Fund, has become a shareholder in Borders to Coast Pension Partnership Limited. Borders to Coast is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of twelve local authorities in order to gain the benefits of economies of scale and the concentration of expertise, improved ability to manage down investment costs, the concentration of expertise, and the benefits of investing on a larger scale. Each of the twelve local authorities is an equal joint owner of the company through purchase of a £1 class A ordinary share.

Note 42: 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 spending in the table below is included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the required accounting treatment of pension costs (to reflect the actual costs of pensions decisions they have taken in the current year). The total value of this adjustment is £2.0 million (£0.6 million in 2016/17).

2016/17 (Restated) Net Expenditure £ m	Memo Net Expenditure before technical adjustments £ m	Trading activity	2017/18 Turnover £ m	Spend after internal income £ m	External income £ m	Net expenditure £ m	Memo Net Expenditure before technical adjustments £ m
0.2	0.0	County caterers	4.3	1.9	-1.4	0.5	0.5
-0.1	-0.1	Schools finance	1.0	0.1	-0.1	0.0	-0.1
0.0	-0.1	Construction services	5.4	1.8	-1.2	0.6	0.5
-0.1	-0.1	County fleet maintenance	3.4	1.0	-0.8	0.2	0.1
-0.1	-0.2	Design services	4.7	-0.3	-0.2	-0.6	-0.8
-0.2	-0.3	Legal services	5.2	1.6	-1.6	0.0	-0.5
0.2	0.1	ICT services	3.3	1.4	-1.0	0.4	0.2
-0.1	-0.1	Warwickshire Music	1.6	0.6	-0.7	-0.1	-0.1
-0.1	-0.1	Schools Technical Service	1.3	0.3	-0.3	0.0	-0.2
-0.4	-0.4	School absence (sickness scheme)	2.1	-0.1	-0.2	-0.3	-0.3
0.0	0.0	Schools Insurance	1.5	-0.1	0.0	-0.1	-0.1
0.0	0.0	Archeology	1.0	1.1	-1.0	0.0	0.0
-0.1	-0.1	Education Psychology Service	1.1	0.4	-0.4	0.0	-0.1
0.0	-0.1	Other trading accounts (turnover of less than £1m each)	6.0	4.1	-3.8	0.3	-0.1
-0.9	**-1.5**	**Total**	**41.9**	**13.8**	**-13.0**	**0.9**	**-1.0**

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

County Caterers became a wholly owned local authority trading company (LATC), Educaterers Ltd, on 1st September 2017 as outlined in Note 41.

Other trading accounts with a turnover of less than £1 million include Internal Audit and Risk Management, School Governance, County Print Unit, HR support and Payroll, Pension Services, and County Cleaning.

The Firefighters' Pension Fund

2016/17 £m	Fund account	2017/18 £m
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1.4	- normal contributions in relation to pensionable pay	-1.4
-1.1	- from members (firefighters' contributions)	-1.1
-2.5	**Income to the fund**	**-2.5**
	Spending by the fund	
	Benefits payable:	
6.0	- Pension payments	6.2
1.9	- Commutation of pensions and lump-sum retirement benefits	0.8
	Payments to and on account of leavers	
0.0	- Individual transfers out of the scheme to other authorities	0.1
0.2	**Payments in respect of contribution holidays (including tax to be repaid)**	0.0
8.1	**Spending by the fund**	**7.2**
5.6	**Net amount payable for the year (before top-up grant receivable from Government)**	**4.6**
-5.6	Top-up grant payable by the Government	-4.6
0.0	**Net amount payable or receivable (-) for the year**	**0.0**

31 March 2017 £m	Firefighters' Pension Fund net assets statement	31 March 2018 £m
	Current assets:	
1.8	- Top-up grant receivable from Government	1.1
	Current liabilities:	
-1.8	- other current liabilities (other than liabilities in the future)	-1.1
0.0	**Net assets or liabilities (-) at the end of the year**	**0.0**

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 one 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 2018. 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 38 to the accounts.

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: AVCs 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, or income earned but not yet received.

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

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

Asset
An item which is purchased or created to be used by the Council.

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.

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)
Businesses pay these rates, set annually by government, to billing authorities instead of council tax. Business rates are shared between local authorities partly on the basis of need and partly on the basis of 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 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 programme
Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

Capital receipts
Income from selling assets that we would consider capital expenditure if we were the purchaser.

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

Cashflow 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 which is retained by local authorities to fund their expenditure. 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 a 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.

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 Code.

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.

Historic cost
The cost of initial acquisition of an asset.

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 book value
The value of an asset after depreciation.

Non-current asset
An asset which is expected to be used for more than 12 months.

Non-distributed costs
Costs which are not allocated to specific services, according to the Service Expenditure Reporting Code of Practice.

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
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.

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

Reserves
Savings we have built up from surpluses or by not spending income which has conditions on its use.

Return on assets
The return on assets is the value of the return we expect to achieve on the Pension Fund’s investments in the long term.

Revaluation Reserve
This account contains the difference between the amount paid for 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, but which we do not own.

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

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.

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

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

Item 7

Audit & Standards Committee

25 July 2018

Pension Fund Statement of Accounts 2017/18

Recommendation(s)

The committee is asked to consider the 2017/18 Pension Fund Statement of Accounts and recommend them to Council for Approval.

1.0 Summary

1.1 This report presents at Appendix A the Warwickshire Pension Fund Annual Statement of Accounts for 2017/18.

1.2 The statement of accounts comprises of the following:

- Pension Fund Revenue Account
- Net Assets Statement
- Notes to the Accounts

1.3 The scheme is governed by the Public Service Pensions Act 2013 and the fund is administered in accordance with the relevant secondary legislation.

1.4 As at the 31st March 2018 the scheme had net assets of £2.032bn and membership of 46,048 people.

2.0 Audit Status

2.1 The accounts have been externally audited and the findings of the audit report are elsewhere on the agenda.

Background papers

1. None

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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

2017/18

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

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

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

Contents

Note on roundings: individual tables presented within disclosures may not sum due to roundings. This does not reflect any inaccuracy or error.

(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; and
- Taken steps to prevent and detect fraud and other irregularities.

I confirm that the accounts were considered and approved at a meeting of the Council on 26 July 2018.

John Betts
Head of Finance **Date: 26 July 2018**

Councillor John Cooke
Chair of the Council **Date: 26 July 2018**

Warwickshire Pension Fund Account

2016/2017			2017/2018
£ m		Notes	£ m
	Dealings with members, employers and others directly involved in the fund		
(71.8)	Contributions	7	(65.8)
(7.4)	Transfers in from other schemes	8	(11.4)
(79.2)			(77.2)
72.2	Benefits payable	9	72.9
5.1	Payments to and on account of leavers	10	8.3
77.3			81.2
(1.9)	**Net (additions)/withdrawals from dealing with members**		**4.0**
9.1	Management expenses	11	10.5
7.2	**Net (additions)/withdrawals inc fund management expenses**		**14.5**
	Returns on investments		
(26.8)	Investment income	13	(27.4)
0.1	Taxes on income		0.1
(34.2)	Profit and losses on disposal of investments	23	(100.0)
(265.0)	Changes in the market value of investments	23	64.3
(325.9)	Net return on investments		**(63.0)**
(318.7)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(48.5)**
(1,665.1)	**Opening net assets of the scheme**		**(1,983.8)**
(1,983.8)	**Closing net assets of the scheme**		**(2,032.3)**

Net Assets Statement

2016/2017			2017/2018
£ m		Notes	£ m
1,992.8	Investment assets	15/16/17	1,963.6
(44.8)	Investment liabilities	15	0.0
30.8	Cash deposits	15/16/17	73.7
1,978.8	Total net investments		2,037.3
8.7	Current assets	29	12.6
(3.7)	Current liabilities	30	(17.6)
1,983.8	**Net assets of the fund available to fund benefits at the period end**		**2,032.3**

Notes to the Warwickshire Pension Fund Accounts for the year ended 31 March 2018

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 2017/18 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 2016 (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 sub-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 181 employer organisations with active members within Warwickshire Pension Fund including the county council itself, as detailed below.

Warwickshire Pension Fund	31 March 2017	31 March 2018
Number of employers with active members	160	181
Number of employees in scheme		
County Council	9,106	8,193
Other employers	7,619	8,561
Total	**16,725**	**16,754**
Number of pensioners		
County Council	6,195	6,487
Other employers	4,707	5,002
Total	**10,902**	**11,489**
Deferred pensioners		
County Council	10,441	10,707
Other employers	6,570	7,098
Total	**17,011**	**17,805**
Total	**44,638**	**46,048**

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 2018. 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 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* 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 and infrastructure as at 31 March 2018 was £110.0m (31 March 2017: £84.9m).

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 2018 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 £294m - a 0. 5% increase in assumed earnings inflation would increase the value of liabilities by approximately £43m, and - a one-year increase in assumed life expectancy would increase the liability by approximately 3-5%.
Private equity and infrastructure	Private equity and infrastructure 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 £110m. 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 valuation is based. This equates to a tolerance of +/- £2.2m.

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. No assets have been transferred to the pool at time of signing.

Note 7: Contributions receivable

By category

2016/2017		2017/2018
£ m		**£ m**
16.6	Employees' contributions	16.7
	Employer's contributions:	
43.8	Normal contributions	44.7
11.4	Deficit Recovery contributions	4.4
55.2	**Total employer's contributions**	**49.1**
71.8		**65.8**

By authority

2016/2017		2017/2018
£ m		**£ m**
37.1	Administering authority	35.9
33.4	Scheduled bodies	22.9
1.2	Admitted bodies	6.9
0.1	Bodies no longer contributing	0.1
71.8		**65.8**

Note 8: Transfers in from other pension funds

2016/2017		2017/2018
£ m		**£ m**
0.7	Group transfers	0.7
6.7	Individual transfers	10.7
7.4		**11.4**

Note 9: Benefits payable

By category

2016/2017		2017/2018
£ m		**£ m**
57.1	Pensions	59.4
13.7	Commutation and lump sum retirement benefits	11.7
1.4	Lump sum death benefits	1.9
72.2		**72.9**

By authority

2016/2017		2017/2018
£ m		**£ m**
40.1	Administering authority	38.9
28.1	Scheduled bodies	30.2
3.2	Admitted bodies	3.2
0.8	Bodies no longer contributing	0.7
72.2		**72.9**

Note 10: Payments to and on account of leavers

2016/2017		2017/2018
£ m		**£ m**
0.3	Refunds	0.2
0.0	Group transfers	0.0
4.8	Individual transfers	8.0
5.1		**8.3**

Note 11: Management expenses

2016/2017		2017/2018
£ m		**£ m**
1.4	Administration costs	1.5
7.4	Investment management expenses	8.7
0.3	Oversight and governance costs	0.3
9.1		**10.5**

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

2016/2017		2017/2018
£'000		**£'000**
6,600.9	Management fees	7623.0
310.2	Performance related fees	647.0
90.8	Custody fees	76.1
397.7	Transaction costs	386.8
7,399.6		**8,732.9**

Note 13: Investment income

2016/2017		2017/2018
£ 000		**£ 000**
16,642.7	Equity dividends	17473.0
9,418.5	Managed funds:	9,259.6
3,726.63	Property	4823.19
1,205.88	Infrastructure	557.17
903.66	Hedge Funds	712.71
2,790.62	Alternative	1713.68
791.67	Private Equity	1452.85
720.7	Interest on cash deposits	616.3
47.0	Stock lending	40.5
26,828.9		**27,389.4**

Note 14: Other fund account disclosures: external audit costs

The external audit fee for 2017/18 was £25,220 excluding VAT The fee for 2016/17, including fee variation, was £25,220 excluding VAT.

Note 15: Investments

2016/2017		2017/2018
£ m		**£ m**
	Investment Assets	
683.0	Equities	638.3
1,307.2	Managed funds:	1,314.1
66.2	Private Equity	78.1
192.5	Pooled Property	207.8
945.6	Pooled Investments, Unit Trusts & Other Managed Funds	996.3
18.7	Infrastructure	31.9
84.3	Hedge Funds	0.0
30.8	Cash deposits	73.7
2.6	Investment current assets	11.2
2,023.6	**Total Investment Assets**	**2037.3**
	Investment Liabilities	
(44.8)	Investment current liabilities	0.0
	Total Investment Liabilities	
1,978.8	**Net Investment Assets**	**2037.3**

A recent change in investment strategy brings exposure to a new asset class for year 18/19 – Private Debt. This asset class provides credit facilities to companies who would normally have approached financial institutions for credit.

The large cash balance held is from the redemption of our Hedge fund allocation which will be used to fund commitments due on Private Equity, Infrastructure and Private Debt parts of portfolio. The amounts ‘called’ by these funds are variable over a 5-6 year time horizon from the date of the first commitment.

Outstanding capital commitments at 31 March 2018 totalled £226.3m. This includes £100m destined for Private Debt.

Note 16: Reconciliation of movements in investments

	Market value 1 April 2017	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2018
	£ m	**£ m**	**£ m**	**£ m**	**£ m**
Investment Assets					
Equities	683.0	99.2	-133.4	-10.5	638.3
Managed funds:	1307.2	216.4	-256.2	46.7	1314.1
Private Equity	66.2	16.4	-12.4	7.9	78.1
Pooled Property	192.5	10.8	-12.8	17.3	207.8
Pooled Investments, Unit Trusts & Other Managed Funds	945.6	176.2	-142.9	17.4	996.3
Infrastructure	18.7	12.9	-0.8	1.1	31.9
Hedge Funds	84.3	0.0	-87.3	3.0	0.0
Other Investment Balances					
Cash deposits	30.8	162.0	-118.8	-0.4	73.7
Net investment current assets	-42.2	53.7	-0.1	-0.3	11.2
Net Investment Assets	**1,978.8**	**531.4**	**-508.5**	**35.6**	**2,037.3**

	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**

Note 17: Analysis of investments

31 March 2017		31 March 2018
£ m		**£ m**
	Equities	
309.7	UK	301.1
373.3	Overseas	337.2
683.0		**638.3**
	Managed funds	
1,146.5	UK:	1,219.6
191.4	Pooled Property	207.3
945.6	Pooled Investments, Unit Trusts & Other Managed Funds	996.3
9.6	Infrastructure	15.9
160.7	Overseas:	94.5
84.3	Hedge Funds	0.0
66.2	Private Equity	78.1
1.1	Pooled Property	0.5
9.1	Infrastructure	15.9
1,307.2		**1,314.1**
	Cash deposits	
25.6	UK Sterling	69.5
5.2	Foreign currency	4.2
30.8		**73.7**
-42.2	**Net investment current assets/(liabilities)**	**11.2**
1,978.8	**Net Investment Assets**	**2,037.3**

Note 18: Investments analysed by fund manager

Market value 31 March 2017			Market value 31 March 2018	
£ m	**%**		**£ m**	**%**
306.8	15.5%	Columbia Threadneedle Investments (UK Equities)	309.0	15.2%
388.1	19.6%	MFS Investment Management (Global Equities)	345.1	16.9%
496.4	25.1%	Legal and General Investment Management (Index Tracker - Global Equities)	512.6	25.2%
325.9	16.5%	Legal and General Investment Management (Index Tracker - Fixed Income)	319.6	15.7%
104.3	5.3%	Columbia Threadneedle Investments (Property)	115.7	5.7%
90.6	4.6%	Schroder Investment Management (Property)	100.5	4.9%
84.3	4.3%	Blackstone Group International (Hedge Funds)	0.0	0.0%
66.2	3.3%	HarbourVest (Private Equity)	78.1	3.8%
75.9	3.8%	JP Morgan (Strategic Bond)	158.4	7.8%
9.6	0.5%	Standard Life Capital (Infrastructure)	15.9	0.8%
9.1	0.5%	Partners Group (Infrastructure)	15.9	0.8%
21.6	1.1%	BNY Mellon (Global Custodian)	66.3	3.3%
1,978.8	**100.0%**		**2,037.3**	**100.0%**

Note: Residual cash under Blackstone has been allocated to custodian balance.

Note 19: Investments representing more than 5% net assets of the scheme

Security	Market value 31 March 2018	% of total fund as at 31.03.18
	£ m	
L&G Investment Grade Corporate Bond	210.1	10.31%
JPM Strategic Bond Fund	158.4	7.77%
L&G UK Equity Index	130.5	6.41%
L&G Europe (Exc UK) Equity Index	133.5	6.55%
L&G Fundamental Indexation	109.2	5.36%
Columbia ThreadneedleTPN Property A	115.7	5.68%
L&G Index linked Bonds	144.4	7.09%

Security	Market value 31 March 2017	% of total fund as at 31.03.17
	£ 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%

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 £35.2m (31 March 2017: £18.2m). 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 £37.2m (31 March 2017: £19.3m). 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 2017				31 March 2018
£ m	£ m	£ m		£ m	£ m	£ m
			Investment Assets			
0.0			Index linked bonds	0.0		
683.0			Equities	638.3		
1,307.2			Managed funds:	1,314.1		
66.2			Private Equity	78.1		
192.5			Pooled Property	207.8		
945.6			Pooled Investments, Unit Trusts & Other Managed Funds	996.3		
18.7			Infrastructure	31.9		
84.3			Hedge Funds	0.0		
	30.8		Cash deposits		73.7	
	2.6		Investment current assets		11.2	
	7.9		Debtors		10.2	
	0.9		Cash balances		2.3	
1,990.2	**42.1**	**0.0**		**1,952.4**	**97.5**	**0.0**
			Liabilities			
		-44.8	Investment current liabilities			0.0
		-3.7	Creditors			-17.6
0.0	**0.0**	**-48.5**		**0.0**	**0.0**	**-17.6**
1,990.2	**42.1**	**-48.5**		**1,952.4**	**97.5**	**-17.6**

Note 23: Net gains and losses on financial instruments

31 March 2017		31 March 2018
£ m		**£ m**
	Financial Assets	
299.2	Fair value through profit and loss	100.0
0.0	Loans and receivables	0.0
	Financial liabilities	
0.0	Fair value through profit and loss	-64.3
0.0	Loans and receivables	0.0
299.2	**Total**	**35.7**

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
Private equity and infrastructure Level 3	Private equity and Infrastructure 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 funds own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Hedge Funds Level 3	Closing bid price where bid and offer process are published. Closing single price where single price is published.		

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 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Financial assets Financial assets at fair value through profit and loss	864.4	978.0	110.0	1,952.4
Financial liabilities Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Net financial assets	864.4	978.0	110.0	1,952.4

	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

Note 25 Reconciliation of fair value measurements within Level 3

	Market value 31 March 2017	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 2018
	£ m	£ m	£ m	£ m	£ m	£ m
Fund of Hedge Funds	84.3	0.0	-87.3	-10.5	13.5	0.0
Private Equity	66.2	16.4	-12.4	2.3	5.6	78.1
Infrastructure	18.7	12.9	-0.8	0.9	0.2	31.9
	169.2	**29.3**	**-100.5**	**-7.4**	**19.3**	**110.0**

Note 26: Nature and extent of risks arising from financial instruments

Risk and risk management

The fund's primary long-term risk is 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 investment sub-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 2017/18 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	201718 Potential market movement
	%
UK Equities	17%
Overseas Equities	18%
Total Bonds, Index Linked & Pooled Managed Funds	10%
Cash	1%
Alternatives	10%
Property	14%

The potential price changes disclosed above are broadly consistent with a one year dispersion 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 2018**	**Potential market movement**	**Value on increase**	**Value on decrease**
	£ m	**£ m**	**£ m**	**£ m**
UK Equities	512.6	87.1	599.8	425.5
Overseas Equities	654.1	117.7	771.8	536.4
Total Bonds, Index Linked & Pooled Managed Funds	319.6	32.0	351.6	287.7
Cash	62	0.6	62.6	61.4
Alternatives	272.2	27.3	300.0	245.4
Property	216.2	30.3	246.5	186.0
Total	**2,037.3**	**295.0**	**2,332.3**	**1,742.3**

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	149.9	1031.8	732.0
Overseas Equities	347.8	62.6	410.4	285.2
Total Bonds, Index Linked & Pooled Managed Funds	325.5	32.6	358.1	293.0
Cash	-14.0	-0.1	-14.1	-13.8
Alternatives	245.1	24.5	269.6	220.6
Property	192.5	26.9	219.4	165.5
Total	**1,978.8**	**296.4**	**2,275.2**	**1,682.4**

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	2017/18 Potential market movement
	%
Czech Republic Koruna	10%
Danish Krone	9%
Euro	9%
Japanese Yen	13%
Mexican Peso	13%
Swedish Krona	10%
Swiss Franc	11%
Thai Baht	10%
US Dollar	10%
Hong Kong Dollar	10%

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 2018	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Czech Republic Koruna	0.0	0.0	0.0	0.0
Danish Krone	2.4	0.2	2.6	2.2
Euro	112.5	10.1	122.6	102.4
Japanese Yen	5.0	0.7	5.7	4.4
Mexican Peso	1.1	0.1	1.2	0.9
Swedish Krona	7.0	0.7	7.7	6.3
Swiss Franc	27.5	3.1	30.5	24.4
Thai Baht	0.8	0.1	0.9	0.7
US Dollar	255.5	25.0	280.5	230.4
Hong Kong Dollar	0.7	0.1	0.8	0.7
Total	**412.5**	**40.1**	**452.6**	**372.5**

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**

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 has had 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 2018 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 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 2016 actuarial valuation, the fund was assessed as 82% funded. This corresponded to a deficit of £358m.

Contribution increases were phased in over the three year period ending 31 March 2020. The common contribution rate (ie the rate which all employers in the fund pay) is as follows.

Valuation Date	31-Mar-16
Total contribution rate	
Primary Rate (% of pay)	20%
2017/18 Secondary Rate £000	39.19
2018/19 Secondary Rate £000	61.25
2019/20 Secondary Rate £000	84.4

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 2016 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	3.8%	1.7%
Pre Retirement Discount Rate	3.8%	1.7%
Salary Increases	2.8%	0.7%
Price Inflation/Pension Increases	2.1%	-

Demographic assumptions

Assumed life expectancy from age 65 is as follows.

Demographic assumptions	31 March 2016	
Assumed life expectancy at age 65	**Male**	**Female**
Pensioners	22.5	24.7
Non-pensioners	24.3	26.7

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

2.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

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 2017/18 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.

31 March 2017		31 March 2018
£m		£m
1,205	Active members	1,307
602	Deferred pensioners	597
984	Pensioners	945
2,791	**Present value of promised retirement benefits**	**2,849**

The promised retirement benefits at 31 March 2018have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. 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 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £56m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 18	31 March 17
	%	%
Inflation/pensions increase rate	2.4%	2.4%
Salary increase rate	3.0%	3.0%
Discount rate	2.7%	2.6%

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 a 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 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	234
0.5% p.a. increase in the Salary Increase Rate	2%	43
0.5% p.a. decrease in the Real Discount Rate	10%	294

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 2018 for accounting purposes'. The covering report identifies the appropriate reliance's 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
26 April 2018
For and on behalf of Hymans Robertson LLP

Note 29: Current assets

31 March 2017		31 March 2018
£m		£m
	Debtors:	
1.3	Contributions due: Employees	1.1
3.2	Contributions due: Employers	7.0
2.7	Invoiced debtors	1.7
0.6	Sundry debtors	0.3
0.9	Cash balances	2.3
8.7	**Total**	**12.6**

Note 30: Current liabilities

31 March 2017		31 March 2018
£m		£m
	Liabilities:	
0.9	Owed to administering authority	15.1
2.0	Sundry Creditors	1.8
0.8	Benefits Payable	0.8
3.7	**Total**	**17.6**

Note 31: Additional Voluntary Contributions

31 March 2017		31 March 2018
£m		£m
2.7	Standard Life	2.5
0.3	Equitable Life	0.2
3.0	**Total**	**2.9**

AVC contributions of £0.3 m were paid directly to Standard Life and £2000 was paid directly to Equitable Life during the year (2016/17: £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 £835,715 (2016/17: £766,000) 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 £35.9m in 2017/18 (2016/17: £37.1 m).

Border to Coast Pensions Partnership

The Warwickshire Pension Fund, through Warwickshire County as the Administering Authority, is a shareholder in the Border to Coast Pension Partnership Limited. The partnership is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of 12 local authorities in order to gain the benefits of economies of scale and the concentration of expertise, improved ability to manage down investment costs, and the benefits of investing on a larger scale. The company was incorporated in 2017/18 and the first transfers of investment assets into the pool are expected to occur in 2018/19. All 12 partners own an equal 1/12th share of the company.

Governance

There are two members of the pension fund investment sub-committee who are 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 three members of the local pension board who are active members of the Warwickshire Pension Fund.

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.

	2017/18	2016/17
	£	£
Head of Finance	749,900	705,730
Strategic Finance Manager	384,576	354,720
Pensions Manager	0	0
Treasury and Pension Fund Manager	187,205	173,926
Principal Accountant	43,346	42,342

Note 33: Accounting standards issued but not yet adopted

The following new standards and amendments to existing standards had been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments introduces new classifications for financial assets, and requires a different model to be applied for estimating and disclosing impairment allowances in relation to financial assets. The fund does not expect there to be any impact in the measurement of our financial assets neither anticipate any adjustments for impairments.

- IFRS 15 Revenue from Contracts establishes principles for the recognition of revenue and cashflows arising from a contract with a customer. The Fund does not have any revenue streams within the scope of the new standard.

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

Private Debt

Private debt comprises mezzanine and other forms of debt financing that comes mainly from institutional investors such as funds and insurance companies – but not from banks.

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*.

Item 8

Audit & Standards Committee

25 July 2018

School Monitoring and Governance Arrangements

Recommendation

That the Committee notes the safeguards which support schools to have appropriate governance and assurance arrangements in place.

1.0 Context

1. 1 At its last meeting in May, the Audit and Standards Committee requested a report on the arrangements that the County Council has in place to support schools to have appropriate governance and assurance arrangements in place. This followed consideration by the Committee during the course of 2017/18 of the outcome of 4 audits of schools that had been undertaken by the internal audit team.

1.2 This report provides information to the Committee setting out the arrangements that the County Council has put in place to support schools with their governance arrangements. Where WCC has particular concerns, Internal Audit may be requested to intervene and complete an audit process. This has been the case in a small number of schools during the past academic year.

2.0 Background

2.1 Schools through their own leadership and governing bodies are responsible for the effective operation of the school. This includes having arrangements in place to ensure sound governance across all areas of the school business, including for example safeguarding, financial management, contracting, HR related processes.

2.2 Whilst schools are responsible for the effectiveness of their own arrangements in this context, the County Council also has a role to play in supporting schools with their governance arrangements in the wider context of ensuring that all learners in Warwickshire enjoy a high quality learning experience (as set out in our Warwickshire Education Strategy 2018-2023 which is being considered by Council on 26th July).

2.3 The main arrangements that the County Council has put in place to support schools with their governance arrangements are set out below. They include a variety of approaches ranging from monitoring schools and interventions at an individual school level to offering training and other support through a WES paid for service offer. The support arrangements set out are intended to support schools whilst at the same time enable the County Council to have a wide understanding of the issues facing schools and take a coordinated approach to offering the right support and interventions and targeting resources to where they can have best effect. The arrangements also reflect the different types of school (eg maintained, academy) and recognise the different role that the County Council plays in that context.

3.0 Arrangements In Place

3.1 The County Council has put in place the following key arrangements in support of schools, some of which have a specific focus on governance whilst others have a wider focus but incorporate governance elements;

(i) *The Education Challenge Board* – this board comprises officers and representatives from schools and ensures that there are robust school improvement arrangements in place. This includes ensuring that appropriate risk assessments are in place for all schools and overseeing support and challenge for the Warwickshire family of schools. This includes maintained schools, academies and free schools.

(ii) *Governor Services* – the Service continues to offer a programme of high quality support and training to governors of all Warwickshire schools. A clerking service is also offered. This service is part of the WES traded service offer. A copy of the current training offer (contents pages) is attached at Appendix 1. Currently 243 schools subscribe to Governor Services training and support packages (87% maintained schools and 58% academies). The training and support package covers a wide range of subject areas including:
The effective governance of schools, training for new and experienced governors, GDPR, complaints and exclusions, specific training for the Chair of Governors, school improvement – self-evaluation, monitoring and improvement planning, Ofsted preparation. There is also a range of courses specifically focused upon resources including staffing, finance (budget planning and monitoring) and health and safety.

Targeted invitations are sent to schools (both academies and maintained) identified as vulnerable (see (iv) below) which do not currently subscribe. In addition, the service issues regular bulletins and updates which cover a range of governance related topics and there is close linkage between audit and Governor Services to ensure that any common themes identified in school based audits can be incorporated into the work of Governor Services.

(iii) *Schools Causing Concern* - Council officers ensure that the Schools Causing Concern process maintains a robust overview of all schools.

Intelligence is fed into that process from a wide range of sources from across the Council to ensure that there is a holistic Council wide view of the schools identified. Information is now recorded on a system called Pendulum which has been introduced this term. Pendulum is accessible to teams across the Council. All schools are risk assessed (categorised A, B, C and D) as a result of these discussions and this information sits alongside the schools' performance data and most recent Ofsted outcome and finance data to enable a comprehensive assessment of the vulnerability of each school. The Schools Causing Concern group meets on a termly basis as school risk assessment is a dynamic process. This ensures that information is updated regularly and support/challenge is offered as promptly as possible when issues are identified. The Council's Schools Finance team feeds into the Schools Causing Concern process and officers now work closely alongside school improvement colleagues to support and challenge schools. With an increasing number of schools facing financially challenging times, focused support is put in place for those maintained schools facing potential deficit budgets with a view to supporting schools to put in place recovery plans and stabilising the financial position as quickly as possible. In the most complex cases, officers may ask the audit team to undertake an audit in order to provide information and help to clarify the situation.

(iv) *School Improvement* – the School Improvement Team now includes a School Improvement Governance Officer. This is a very experienced Chair of Governors, whose focus is upon supporting governing bodies within maintained schools causing concern. This post is targeted to focus upon schools experiencing financial difficulties. Since September 2017 the team has also included a Senior School Improvement Officer whose main role is to lead finance task groups for schools in financial difficulty.

3.2 As highlighted at paragraph 2.3, the responsibilities and nature of the relationship with academies is different to that of maintained schools. School improvement for academies is the responsibility of each school's academy trust board. If the school is part of a Multi Academy Trust (MAT), then the MAT Trust Board is the responsible body. The Council has now established regular Keeping in Touch (KIT) meetings with all MATs within Warwickshire. Senior officers from Education and Learning meet termly with the CEO/Executive Headteacher of each Multi Academy Trust in order for them to share information about their schools and request support if required. The Council risk assesses all schools, including academies. Any serious concerns are passed on to the Regional Schools Commissioner and/or Ofsted, who have the remit to investigate and intervene with academies if necessary.

4.0 Conclusion

4.1 The Council has in place a number of arrangements aimed at supporting schools to have appropriate governance arrangements in place. These arrangements, including the newly introduced Pendulum system, will continue to ensure that as well as supporting schools, the Council has a holistic view of Warwickshire schools and can target resources accordingly. It is recognised that there continues to be a role for audit and it is likely that the audit team will be asked to intervene in those schools which are considered to have particular governance challenges to help identify areas for improvement.

Background papers

None

	Name	Contact Information
Report Author	Hayley Good	hayleygood@warwickshire.gov.uk Tel: 07342067600
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Portfolio Holder	Colin Hayfield	colinhayfield@warwickshire.gov.uk

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

Local Member(s):
Other members:

Appendix 1 – Copy of current training offer – contents pages

Warwickshire Governor Services Training and Support Programme Contents

1. The Essentials for all Governors

2. Leading Your Governing Board

3. School Improvement: Making a difference to outcomes for pupils

3

8. In-house training topics options

4. Special Schools & SEND

5. School Resources: Staffing, Finance, Health & Safety

6. Clerking Your Governing Board: For clerks of GB & Committees

7. Diocesan Board of Education courses

(not included in our subscription)

Audit & Standards Committee

25 July 2018

Audit & Standards Committee
Annual Report 2017/18

Recommendation

That the Audit and Standards Committee approves its annual report 2017/18 before submission to Council.

1.0 Background

1.1 The attached report (Appendix A) summarises the work undertaken by the Audit and Standards Committee during the municipal year 2017/18.

1.2 The Committee met four times during 2017/18 where members considered a substantial number of reports covering a variety of audit and standards work.

1.3 Following the County Council elections that took place in May 2017, the Audit and Standards Committee membership during 2017/18 was as follows:

- John Bridgeman CBE (Independent member and Chair)
- Bob Meacham OBE (Independent member and Vice-Chair)
- Councillor Parminder Singh Birdi (Conservative)
- Councillor Mark Cargill (Conservative)
- Councillor Andy Crump (Conservative)
- Councillor Bill Gifford (Liberal Democrat)
- Councillor John Holland (Labour)
- Councillor Jill Simpson-Vince (Conservative)

1.4 The Committee ensures that the Council has robust systems of internal control and makes sure that both councillors and officers follow high standards of conduct in the way they conduct the business of the council. Meetings are open to the public.

2.0 Reports Considered During 2017/18

2.1 The Audit and Standards Committee has considered a series of scheduled and requested reports during 2017/18.

2.2 The Committee considers a number of statutory reports on an annual basis which include the Annual Governance Statement, the External Auditors Report, the Internal Audit Strategy, the External Audit Plan, the Statement of Accounts and the Warwickshire Pension Fund Statement of Accounts.

2.3 The Committee also considers the Internal Audit Annual Report which is an audit professional standards requirement.

2.4 The Audit and Standards Committee considers the Statement of Accounts for the County Council and the Pension Fund in considerable detail before they are considered by Council.

2.5 Regular Internal Audit Progress reports are considered by the Committee where members are updated around ongoing internal audit investigations, proposed internal audit work and the progress being made by the Council on implementing internal audit recommendations.

2.6 Members also regularly consider emerging national issues and developments which are brought to their attention by the external auditors. This is undertaken primarily to seek assurance that the authority is aware of and considering these issues.

3.0 Timescales associated with the decision and next steps

3.1 Subject to the report being approved by the Committee, the Annual Report will be submitted to Council for consideration on 26tt July 2018.

Background papers

None

	Name	**Contact Information**
Report Author	Ben Patel-Sadler	benpatelsadler@warwickshire.gov.uk Tel: 01926 736 118
Head of Service	Sarah Duxbury	
Strategic Director	David Carter	
Portfolio Holder	Cllr Kam Kaur	

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

Local Member(s):
Other members:

Warwickshire County Council Audit & Standards Committee Annual Report 2017-18

Warwickshire County Council

This annual report summarises the work undertaken by the Audit and Standards Committee during the financial year 2017/18. It is intended to highlight the role that the Committee plays in promoting good governance across the organisation and to provide assurance that there is a mechanism in place to review the Council's internal controls and systems on an ongoing basis.

Contents

What does the Committee do?

The Committee plays a vital role overseeing the Council's governance framework to ensure residents are getting good quality services and value for money. It provides independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes.

Meetings of the Committee are open to the public. Details of future meetings can be found on the Council's website.

Who is on the Committee?

The membership during the municipal year 2017/18 was:

John Bridgeman CBE - (Independent member and Chair)

Bob Meacham OBE - (Independent member and Vice-Chair)

Councillor Parminder Singh Birdi - (Conservative)

Councillor Mark Cargill - (Conservative)

Councillor Andy Crump - (Conservative)

Councillor Bill Gifford - (Liberal Democrat)

Councillor John Holland - (Labour)

Councillor Jill Simpson-Vince - (Conservative)

The Chair of the Committee would wish to place on record his thanks to all the members, past and present, who have served on the Committee and have contributed to the important work undertaken by the Committee.

The Internal Audit and Insurance Manager, Chief Finance Officer and the Monitoring Officer attend Committee meetings to provide information and ongoing assurance in relation to the Council's internal controls and systems. Representatives from Grant Thornton, the Council's external auditors also attend meetings to report on the Council's financial statements and value for money arrangements.

What did the Committee do during 2017/18?

The Committee met four times during 2017/18 to consider a wide variety of reports about different aspects of the Council's governance framework. Overall the Committee has been successful in:

- Maintaining a comprehensive overview of internal control and governance
- Focusing attention on services or areas where there are internal control or performance issues
- Maintaining an overview of the Council's anti-fraud arrangements
- Updating and simplifying the Council's policies on Whistleblowing and Anti-Fraud

The highlights from the various areas of activity over the year are described in the following paragraphs.

Good Governance

This annual report summarises the work undertaken by the Audit and Standards Committee during the financial year 2017/18. It is intended to highlight the role that the Committee plays in promoting good governance across the organisation and to provide assurance that there is a mechanism in place to review the Council's internal controls and systems on an ongoing basis.

- The Internal Audit and Insurance Manager gave his opinion for 2017/18 that the Council's control environment provides substantial assurance and that the significant risks facing the Authority are addressed. This means that overall the Council has robust systems of control and is managing risks effectively.

- External Auditors gave an unqualified opinion in relation to the Council's accounts and those of the Pension Fund

- The Committee members were able to draw on their knowledge of how the assurance systems had operated in practice during the course of the year in order to contribute to the 2016/17 Annual Governance Statement, which was subsequently approved by full Council.

- The External Auditors confirmed 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

- An independent external quality assessment of the Internal Audit Service was undertaken during the year. The Committee was pleased to be advised that the external assessor considered that the internal service complies with the expectations of the Public Sector Internal Audit Standards and out performs other audit services in local government.

Embedding Ethical Standards

In November 2017 a 'Do the Right Thing' week hosted on the Council's intranet showed that 93% of respondents felt that the Council encourages high standards of conduct. The Committee plays an active and ongoing role in considering a number of probity and standards related policy developments within the Council.

In March 2018, the Committee was asked to consider the consultation on the review of local government ethical standards being undertaken by the Committee of Standards in Public Life. Throughout the ensuing discussions, the Committee highlighted the importance of transparency and upholding the laws of natural justice in order that fair process and protection is available to all parties.

Whistleblowing

The Committee considered an updated Whistleblowing Policy following the introduction of the statutory Duty of Candour which applies to the County Council (as a provider of care services). The revised policy was adopted in June 2017.

Countering Fraud and Corruption

At its September 2017 meeting the Committee commented on an updated Counter Fraud, Bribery and Corruption framework for the Council. The updated policy was approved by Cabinet later in September 2017.

In considering the internal audit progress reports over the course of the year, the Committee confirmed its support for the Council's approach of zero tolerance to fraud.

Internal Audit

Internal audit carries out reviews throughout the year on the effectiveness of the Council's governance and internal control arrangements, including risk management and anti-fraud arrangements. During the year the Committee;

- approved the Audit Strategy which identified topics to be audited during the year, taking into account the strategic risks facing the Council;
- received regular Internal Audit Progress reports which enabled the Committee members to have an in depth understanding of the outcomes of the audit work carried out and seek assurance as to the effectiveness of the internal control arrangements. In particular the Committee was able to probe in detail those audits which had resulted in a 'limited' audit opinion;
- received twice during the year a report summarising the progress being made by the Council on implementing internal audit recommendations. The Committee expressed a particular interest in this area and was pleased to be advised that by the latter part of the year, there had been a significant improvement in the implementation of audit recommendations;
- approved an updated Audit Charter which sets out the role and responsibilities of internal audit and had been updated to reflect changes in professional standards

External Audit

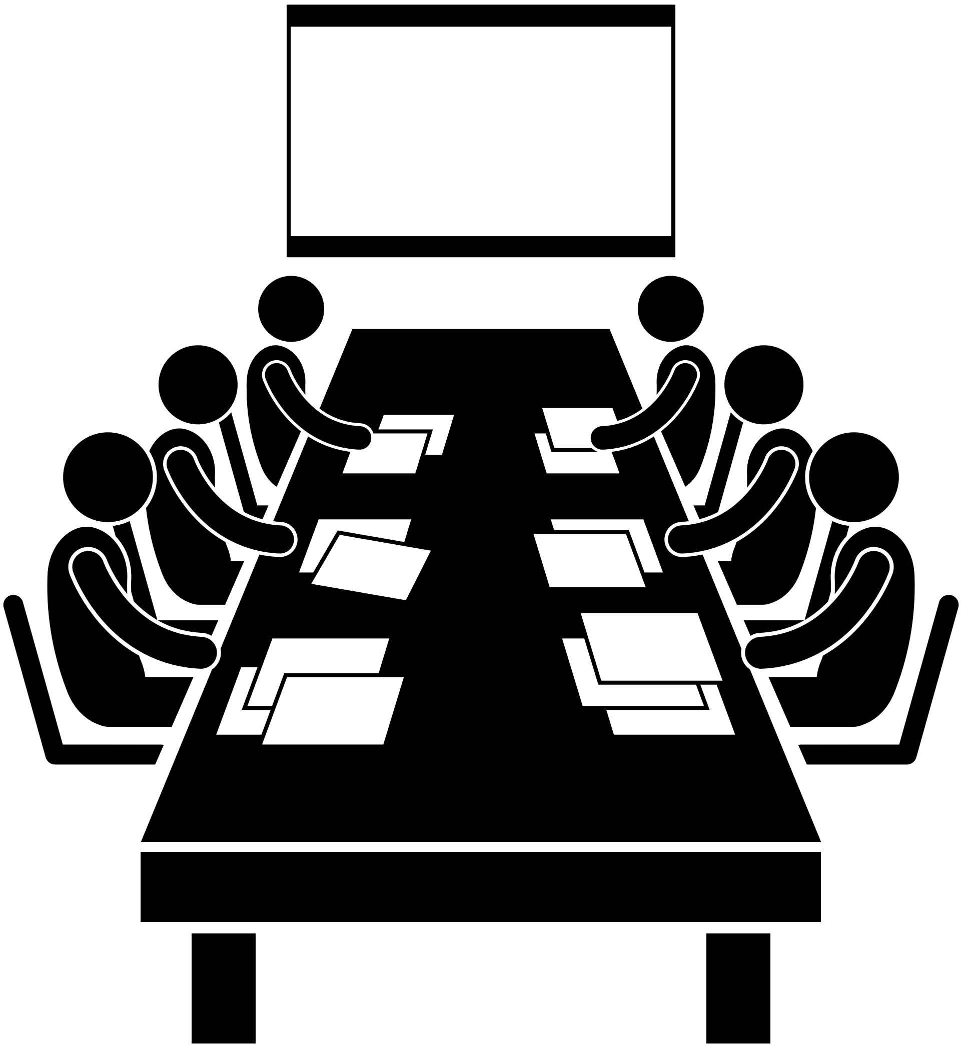
The Committee considers reports on the work of the external auditors on a regular basis, including their proposed Audit Plan. The Committee also receives the External Auditor's independent audit findings for the year. The external auditors attend all Audit and Standards Committee meetings.

Members also regularly consider emerging national issues and developments which are brought to their attention by the external auditors. This is undertaken primarily to seek assurance that the authority is aware of and considering these issues. Issues brought to the attention of members during 2017/18 included business rate retention and health and social care integration.

Looking Forward

The Committee's work programme over the coming year will continue to focus on supporting good governance and strong financial management. The Committee is committed to taking a proactive role in assessing the adequacy of the risk management framework, the internal control environment and the integrity of the Council's systems and processes.

It is hoped that this Annual Report helps to demonstrate to Warwickshire residents and stakeholders the contribution that the Committee makes to the Council's overall governance and provides assurance in relation to the Council's systems of control.



Audit and Standards Committee
Work Programme 2018/19

Item	Lead Officer	Date of meeting
Internal Audit Progress Report	Garry Rollason	29th November 2018
Audit Committee Self-Assessment	Garry Rollason	29th November 2018
Internal Audit Progress Report	Garry Rollason	28th March 2019
Internal Audit Plan 2019/20	Garry Rollason	28th March 2019