AGENDA MANAGEMENT SHEET

Name of Committee	**Audit & Standards Committee**
Date of Committee	**25 September 2006**
Report Title	**Statement of Accounts and Statement on Internal Control 2005/2006**
Summary	The report asks the Panel to note the minor changes arising from the final audit of the Statement of Accounts 2005/2006 and the Statement on Internal Control.
For further information please contact:	David Clarke Strategic Director, Resources Tel: 01926 412003 davidclarkeTR@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	No.
Background papers	Cabinet & Council 27th June 2006 papers and Statement of Accounts working papers

CONSULTATION ALREADY UNDERTAKEN:-

Other Committees	☐	....
Local Member(s)	☐	……………………………………
Other Elected Members	☐	....
Cabinet Member	☐	
Chief Executive	☐	……………………………………
Legal	☒	David Carter – circulated for comment
Finance	☒	David Clarke - reporting officer
Other Chief Officers	☐	
District Councils	☐	....
Health Authority	☐	....
Police	☐	....

Other Bodies/Individuals	☐	....

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Further consideration by this Committee	☐	....
To Council	☐	....
To Cabinet	☐	……………………………………
To an O & S Committee	☐	....
To an Area Committee	☐	....
Further Consultation	☐	....

Agenda No

Audit & Standards Committee – 25 September 2006

Statement of Accounts 2005/2006 and Statement on Internal Control

Report of the Strategic Director, Resources

Recommendation
That Members of the Committee note the report and amended accounts and Statement on Internal Control.

1. Introduction

1.1 The County Council's Statement of Accounts 2005/2006 were approved at Cabinet and County Council on 27th June 2006. The content, layout and general rules used to prepare the accounts are those recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.2 As a result of the audit of the accounts a small number of amendments have been made which the auditors have deemed not to be significant to require the accounts to be re-approved. The overall change to total net spending on the Consolidated Revenue Account is an decrease of £0.5 million with a corresponding change to the Consolidated Balance Sheet of £0.5 million.

1.3 There have been no amendments to the wording of the Statement on Internal Control that went alongside the accounts to Council on 27th June 2006.

2. Publication of the accounts

2.1 Statement of Accounts can only be published once an audit opinion has been signed by our external auditors, District Audit. The auditors will provide their opinion following the meeting of the Audit & Standards Committee. The accounts will then be published with the audit opinion by the end of September in line with our statutory duty.

3. Effects of the changes to the accounts

3.1 The main change to our accounts, as approved in June, relates to accounting for the Landfill Allowances Trading Scheme. The Waste and Emissions trading Act 2003, places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable waste sent to landfill.

The Act also provides the framework for the Landfill Allowances Trading Scheme (LATS) which applies only to WDAs in England and commenced on 1 April 2005.

3.2 Under the act, each WDA, is allocated landfill allowances and not allowed to landfill biodegradable municipal waste above this allowance, unless they can purchase surplus allowances from another WDA or pay a financial penalty to the Department for Environment Food and Rural Affairs (DEFRA) for failing to acquire sufficient allowances.

3.3 We had surplus allowances in 2005/2006 of 25,002 tonnes, which will be transferred in 2006/2007 to supplement the 2006/2007 landfill allowance. Based on our waste strategy, we do not intend to buy or sell allowances up until 2009/2010 at the earliest based upon current projections of municipal waste growth.

3.4 In recognition of the Landfill Allowances Trading Scheme regulations and following the official notification of our audited landfill allowance surplus from DEFRA and advised valuation basis (£20.20/tonne) we have agreed the appropriate accounting treatment with our auditors. We are required to recognise the value of the allowances given to the authority for the year by the Department of Food and Rural Affairs (DEFRA), (£3.2 million) as grant income in our consolidated revenue account and also as a current asset in the consolidated balance sheet. In addition we also have to recognise the value of the allowances we have used (£2.7 million) as spending in our consolidated revenue account via the setting up of a provision in the consolidated balance sheet. This is because for 2005/2006 we have not used as many allowances as we have had given to us, giving rise to a surplus for the year. The net effect of this is a net surplus of £0.5 million in the consolidated revenue account which has to be added to our general reserve. We have not received or paid out any cash in relation to these allowances and will only do so if in the future we need to purchase additional allowances or wish to sell excess allowances as part of our ongoing strategy to balance our future usage of allowances.

3.5 Table 1 below details the changes to reserves as a result of the conclusion of the audit from that in the draft accounts approved at the meeting of Council on 27th June 2006.

Table 1: Reserves as at 31 March 2006

Reserve	Reserves In-Hand / (Overdrawn) at 31/03/06 (Council Statement of Accounts 27/6/06) £'000	Audit Adjustments £'000	Reserves In-Hand / (Overdrawn) at 31/03/06 £'000
General	7,686	505	8,191
Schools - LMS	10,667	0	10,667
Schools - IT Security	(848)	0	(848)
Schools TSF	1,172	0	1,172
LEA TSF	402		402
Service Savings	11,427	0	11,427
Policy Initiatives Fund	16	0	16
Virtual Bank	(3,473)	0	(3,473)
Insurance Fund	8,875	0	8,875
Capital Fund	1,329	0	1,329
Total	**37,253**	**505**	**37,758**

DAVID CLARKE
Strategic Director, Resources

Shire Hall, Warwick
15th September 2006

Warwickshire County Council statement of accounts and statement on internal control 2005/2006.

“Replace with separate corporate cover”

Since 1996/1997, we have written our statement of accounts using plain, jargon-free English, and have gained Plain English Campaign's Crystal Mark. Using plain English in our publications is part of our strategy to communicate more effectively with our customers. We hope that it will encourage more people to read our publications and that those who do will feel well informed.

Contents

We would welcome any comments or suggestions you have about this publication. Please contact Oliver Winters, Head of Finance, Resources Directorate, Warwickshire County Council.

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

The Crystal Mark does not apply to the auditors' certificate or the statement on internal control.

Auditors’ certificate

“Separate certificate to insert pages 1,2,3 & 4”

The Crystal Mark does not apply to the auditors’ certificate.

The Strategic Director, Resources' introduction

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

Introduction

This document summarises our financial affairs for 2005/2006 and shows our financial position at 31 March 2006. It includes the following statements and accounts.

~ **Statement of accounting policies** – This outlines the accounting policies that have been adopted in preparing the accounts for the financial year.
~ **Consolidated revenue account** – This summarises our income and spending for the financial year.
~ **Trading accounts** – This details the income and spending for the financial year of all our significant trading operations included in our consolidated revenue account.
~ **Consolidated balance sheet** – This summarises our financial position and provides a statement of our assets and liabilities at the end of the financial year (31 March 2006)
~ **Statement of total movements in reserves** – This summarises the movement in our revenue and capital reserves in the financial year.
~ **Cash-flow statement** – This summarises the total movement in cash during the year for revenue and capital.
~ **Capital summary** – This summaries our capital spending for the year.
~ **Statement of responsibilities for the statement of accounts** – This details the responsibility of the County Council and the Strategic Director, Resources and confirms the date the Council approved the Statement of Accounts.
~ **Pension fund accounts** – This contains details of the Warwickshire County Council Pension Fund for the financial year.
~ **Statement on internal control** – This reviews the effectiveness of our systems of internal control.

Revenue spending in 2005/2006

After considering the many spending pressures we faced, we increased the Council Tax by 2.96%, and we have continued to encourage managers to save money whenever they can without damaging services. We originally planned to spend £493.4 million, after using some of our past savings and allowing for expected income. Schools' budgets were again given a high priority, as was spending on other important functions such as social services.

By the end of the year, our final spending to be met from government grants and local taxpayers was £492.1 million. This was £1.3 million (0.25%) less than we had originally planned. See the Consolidated Revenue Account on page 18.

The tables over the page show where our money came from and how we spent it. Salaries, wages and other spending on employees made up the largest share of our spending and we spent most of our money on the education service. Our money in 2005/2006 came mainly from Council Tax, the Government Revenue Support Grant and our share of business rates. Total revenue spending before income was taken off was £692.2 million.

Reconciliation from spending to be met by government grants and local taxpayers to total spending	**£ millions**	**£ millions**
Net spending to be met from government grants and local taxpayers		492.1
plus:		
~ service income (including specific government grants)	191.6	
~ trading income	4.8	
~ interest on cash balances	3.7	
		200.1
Total revenue spending		**692.2**

Trading income of £4.8 million includes £4.7 million from trading accounts (see page 30) and a £0.1 million refund from a purchasing agreement.

We spent money on	**£ millions**	**Percentage %**
Education	438.3	63
Social services	171.2	25
Fire service	25.1	4
Cultural and other related services	20.4	3
Environmental services	19.9	3
Planning and development services	10.2	1
Highways, roads and transport services	41.7	6
Court services	0.4	0
Central services (see the note below)	-0.5	0
Other services	25.3	4
Total spending on services	752.0	109
Other spending and adjustments:		
- payments to the Environment Agency	0.2	0
- pension interest costs and expected return on assets	13.1	2
- money we transferred from reserves	-0.7	0
- trading accounts	5.0	0
- Asset Management Revenue Account	-44.0	-6
- capital spending met from revenue	6.5	1
- capital fees and expenses	0.3	0
- money transferred from the Capital Financing Account	-31.3	-5
- money transferred from the Pension Reserve	-8.9	-1
Total revenue spending	**692.2**	**100**

Note: Central services include corporate and democratic core, non-distributed costs (see notes 11 and 12 Consolidated Revenue Account) and central services to the public. These are costs that relate to the way the authority is run and cannot be charged against specific services.

How we spent the money	£ millions	Percentage %
Payments relating to staff	376.7	54
Spending on property	30.0	4
Supplies and services	89.9	13
Other expenses	170.4	25
Buying and using assets	25.2	4
Total revenue spending	**692.2**	**100**

Where the money came from	£ millions	Percentage %
Council Tax including surplus	182.2	26
Revenue Support Grant	147.2	21
Business rates	164.0	24
	493.4	71
Specific government grants	103.0	15
Reimbursements and contributions	31.5	5
Income from fees and charges	65.6	9
	200.1	29
Total income	**693.5**	**100**
Surplus for the year transferred to the general reserve	-1.3	0
Total revenue spending	**692.2**	**100**

At the end of the year our total revenue reserves amounted to £37.7 million. The table below shows the different types of reserve we hold.

Revenue reserves	£ millions
General reserve	8.2
Schools' reserves	10.7
Capital fund	1.3
Other reserves we hold for specific reasons	17.5
Total	**37.7**

~ General reserve - reserve set aside for unexpected events.
~ Schools' reserves - reserves set aside specifically for schools to use.
~ Capital fund - reserve set aside for spending on assets with a lasting value.
~ Other reserves - reserves set aside for specific purposes.

Capital spending in 2005/2006 - £64.1 million

Alongside our day-to-day costs, we spend money on assets such as buildings, new roads and major maintenance work. During 2005/2006, our capital spending came to £64.1 million (see page 8 and 9). More than half (58%) went on building work and fees, 31% went on roadworks and bridges, and the rest went on buying land, vehicles and major equipment, regeneration and improvements to the environment, grants and other costs.

Our spending of £64.1 million was £14.3 million less than our estimate of £78.4 million. This underspend was due to delays on individual projects. We now plan to spend this £14.3 million in 2006/2007. There are many reasons why these delays happened. Most were out of our control, such as delays in receiving planning permission, finalising some land purchases and receiving contributions from other organisations.

We spent £32.4 million (50%) on education projects, £23.0 million (36%) on projects relating to planning, transport or economic strategy (PTES) and the balance of £8.7 million (14%) on other services.

The education projects carried out or started in 2005/2006 include the following.

~ Direct capital spending for schools under the Government's 'devolved' and 'seed challenge' allocations at school level was £5.3 million. Also, we spent a further £1.3 million at school level. This was funded mainly from outside grants.
~ Modernisation - £3.4 million
~ We spent £5.2 million on three sports halls at Warwick, Alcester and Nuneaton.
~ Building Oak Wood Special School at Nuneaton - £4.0 million.
~ The combining of two schools to form Alcester, St. Nicholas School - £2.0 million.
~ Other education projects totalled £11.2 million.

There is a full list in the capital summary on pages 56 and 57.

The PTES projects carried out or started in 2005/2006 include the following.

~ Structural work to maintain roads - £6.7 million.
~ Improvements to The Parade in Leamington Spa - £2.5 million.
~ Providing a park and ride facility for Stratford - £2.3 million
~ Work to improve safety on routes to schools and to encourage people to avoid using cars, and improvements aimed at reducing accidents - £2.1 million.
~ Construction of the Barford by-pass - £1.2 million.
~ Spending on activities to improve the economic wellbeing of communities - £1.2 million.
~ Construction of phase 3 of Sir Frank Whittle Business Centre, Rugby - £0.8 million.
~ Assessing, strengthening and maintaining the structure of bridges - £1.5 million.
~ Other PTES projects totalled £4.7 million.

There is a full list in the capital summary on pages 56 and 57.

We spent £1.1 million to improve and develop information technology (IT) systems. We also carried out structural maintenance work to a number of buildings, replaced boilers, rewired premises and treated asbestos costing £2.5 million. Other projects totalled £5.1 million.

There is a full list of the projects on pages 56 and 57.

The tables below show where the money came from and how we spent it.

Capital spending 2005/2006

Which services we spent money on	**£ millions**	**Percentage %**
Education	32.4	50
Fire and resue service	1.0	2
Libraries, heritage and trading standards	0.5	1
Planning, transport and economic strategy	23.0	36
Social services	2.1	3
Other services	5.1	8
Total	**64.1**	**100**

How we spent the money	£ millions	Percentage %
Building work and fees	37.1	58
Roadworks and bridges	19.6	31
Furniture and equipment	3.5	5
Vehicles	2.3	4
Regeneration and improvements to the environment	0.9	1
Land	0.1	0
Grants and other spending	0.6	1
Total	**64.1**	**100**

Where the money came from	£ millions	Percentage %
Borrowing	26.6	41
Grants and money from other organisations	26.6	41
Selling assets	4.4	7
Capital fund	2.0	3
Revenue	4.5	8
Total	**64.1**	**100**

Value of our assets

We revalued our assets at the end of March 2004. We do this every five years. The revaluation increased the value of our assets by £477.6 million. This was mainly due to changes in the market value of land and buildings. When our spending in 2005/2006 is included, the total value of our assets is now £1,171.3 million.

Euro costs

The Head of Strategic Resources Development acts as the euro co-ordinator to monitor the effect the euro being introduced in the UK would have on our financial information systems, services and stakeholders. Until a decision is made about whether the UK should introduce the euro, spending on euro activities will be taken from our existing budgets together with spending on other strategic planning.

Significant changes in policy

There were no significant changes in policy

Major changes in function

There were no major changes in functions i.e. changes in the services we provide.

Pensions

This is the third year of the full introduction of the Financial Reporting Standard 17 (FRS 17), a reporting standard that relates to retirement benefits. We must make sure that the financial statements reflect fairly the assets and liabilities we are responsible for as an employer relating to retirement benefits, and that we show the true cost of these responsibilities.

Under the FRS 17 regulations, the shortfall on the Local Government Pension Scheme (LGPS) in the balance sheet is £165.9 million, the shortfall on the firefighters' pension scheme is £168.9 million and the shortfall on the teachers' discretionary benefits pension scheme is £40.4 million. Any extra service costs shown on the consolidated revenue account are met by a transfer from the Pensions Reserve so that the charge against Council Tax reflects the actual cash paid during the year.

The pension fund's actuary values the pension fund every three years. The last valuation took place as at 31 March 2004 and showed the pension fund was 82% funded. A gradual increase (in steps) in employer's contribution rates for the three years from 1 April 2005 should work towards our long-term aim of achieving a 100% funding level. We aim to recover the shortfall over 25 years. At the next valuation which will take place as at 31 March 2007, the actuary will look at the funding position again and will set the employer's contribution rate for a further three years. The contribution rates could increase or reduce depending on investment performance and changes in assumptions such as pensioners' life expectancy rates.

Whole of government accounts

This is the second year, we have to tell the Government about the money we have spent and the money we have received from other public bodies. This will allow the Government to produce accounts for the whole of the public sector by 2006/2007. Our auditors will review this information but it does not form part of our statement of accounts.

Group accounts

We have not identified any associated companies, subsidiaries or joint ventures which would mean we need to produce group accounts as set out in the CIPFA Code of Practice in 2005/2006. Our auditors will review our work as part of their audit to confirm this.

Reorganisation/Modernisation

In late 2005/2006 we started a process of making significant changes to our structure as the initial step in a continuing programme of modernising services. The new structure, which has resulted in a reduction in the number of departments from nine to six, took effect from 1 April 2006.

Looking ahead to 2006/2007

In 2006/2007, after considering many spending pressures, we increased our Council Tax by 4.93%. We also used some of our savings (reserves) to support our spending on services. £1.9 million came from savings individual services had made in previous years, £2.2 million came from general reserves and £0.5 million was from the Capital Fund. Services also repaid £0.6 million that they had borrowed in earlier years to fund specific projects. The actual increase in planned net spending (after income) was 5.1% after adjusting for the Dedicated Schools Grant (DSG), which is now paid directly to schools. We plan to spend £267.3 million, again giving priority to spending in schools and other important services to the public.

We will continue to try to meet the costs of pay rises and rising service demands by making our services more efficient and improving value for money. Our aims are set out in the budget resolutions, which the Council approve in February each year.

David Clarke
Strategic Director, Resources

Statement of accounting policies

This section summarises the accounting rules and conventions we have used in preparing these accounts.

General

The content, layout and general rules we used to prepare these accounts are those required by the Chartered Institute of Public Finance and Accountancy (CIPFA), except where we give more information below.

Changes in policy

There were no major changes in policy.

Tangible Assets

Our spending on buying, creating or improving fixed assets is classed as capital spending. Spending on fixed assets is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when we actually pay for it. 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 Institution of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations with Bruton Knowles, a company of property asset consultants.

The closing balances on 31 March 2006 were valued in the following ways.

~ Property and other assets that we use in our day-to-day work are included in the balance sheet at their open-market value based on their existing use. However, as property and other assets we use in our day-to-day work are rarely sold on the open market, for example schools, we have included them in the balance sheet at the amount it would cost to replace the assets in their current working order.

~ We have included assets that we do not use in our day-to-day work, including investment properties and assets we do not need any more, in the balance sheet at their open-market value.

~ We have included infrastructure assets, such as roads, roundabouts, bridges and community assets, in the balance sheet at the amount they cost when we bought them.

We revalue fixed assets every five years. All our assets were revalued in 2004. However, we also adjust any major changes to the value of assets as they happen. When assets are revalued, if they are worth more or less than we paid for them, we add the difference to the Fixed Asset Restatement Account.

If the value goes down and this is clearly due to the asset being used, we charge the full amount to revenue. This charge is then met from the Capital Financing Account so the level of Council Tax is not affected.

We have classed assets with a value above £6,000 as fixed assets in our accounts and these are shown as a note to the consolidated balance sheet on page 30.

Intangible assets

We treat ‘intangible assets’ (assets which we cannot actually see, such as software licences) in the same way as other assets. Where intangible assets are included in capital spending, a physical asset cannot be clearly seen. We gradually reduce the value of intangible assets over their useful life (up to 20 years) and charge this to the Asset Management Revenue Account. Intangible assets are valued at historic cost.

Income from selling fixed assets

We use the income from selling fixed assets (buildings, vehicles and land) to meet part of the cost of new capital spending. Any of this money that we have not used by the end of the year is recorded in the balance sheet as ‘unused money from selling assets’.

Depreciation

All assets with a limited useful life, such as vehicles and buildings, are reduced in value according to the following policies. This reduction in value is called depreciation.

~ Our new assets begin to fall in value from the start of the next financial year after they have been bought. But new assets that are being built do not start to fall in value until they are finished and ready to be used.

~ An asset’s value falls steadily throughout its life.

~ We charge depreciation costs on buildings as a single asset, even though there are individual parts within the building (such as boilers) which have a shorter useful life. This means that we charge depreciation costs on replacement parts of whole assets in the year we buy the parts.

We charge depreciation costs on all assets with a limited life, whether or not their value is being maintained through repairs and maintenance. We have charged depreciation costs on buildings over what our valuers think their estimated useful life will be (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment). The depreciation charge is to cover the economic usage of the asset.

We do not charge depreciation costs on land we own, as it does not have a limited useful life.

For capital spending where an asset has been created but the value is less than the capital spend, we will transfer the difference straight to the Fixed Asset Restatement Account in line with CIPFA’s Statement of Required Practice.

Charges to revenue

We charge services for all the fixed assets they use to provide their services. The charge covers depreciation, plus a percentage charge for using assets. CIPFA tell us what the percentage charge must be each year. For 2005/2006, this percentage is 3.5% for land, buildings, vehicles and equipment, and 4.95% for other assets such as roads and bridges, waste management facilities, country parks and public transport. Interest and depreciation are charged to the Asset Management Revenue Account. The capital charge each service pays is included in this account.

Amounts set aside from revenue for repaying loans to pay for capital spending, or as transfers to other reserves, are shown separately in the Consolidated Revenue Account. The total spending on services shows costs relating to:

- capital spending which did not lead to an increase in the value of the asset, including spending on items less than £6,000; and
- deferred charges (spending on assets we do not own).

Spending on assets we do not own

Not all our services are provided in buildings we own. For example, foundation schools own their own assets. Any money we spend on these assets is first shown as a fixed asset. However, because we do not own the asset, it is then taken out of fixed assets and shown as part of our revenue spending. To make sure that the Council Tax is not affected, we then make an adjustment equal to the total to reverse this and charge it to the Capital Financing Account.

Repaying debts

Under the rules of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, we must set aside an amount each year to repay debts. The amount we repay each year is based on a minimum figure of 4% of the Capital Finance Requirement at the beginning of the financial year.

Government grants

Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. Government grants we receive to pay for spending on our general activities are shown in the appropriate service revenue account in the year the spending took place.

Government capital grants we receive to pay for assets are held in the Government Grants Deferred Account and released to the Asset Management Revenue Account over the expected life of the asset. If we used the grant for work which did not increase the value of the asset, that grant is shown as revenue income in the year. We then take the income out of revenue and charge it to the Capital Financing Account so the level of Council Tax is not affected.

Investments

Investments are recorded in the accounts at the price we bought them. Interest we pay on money we have borrowed, as well as interest we earned on money we lent, is shown in the accounts in the year it was due or earned.

Financial relationships with companies

We own all of the shares in Warwickshire Venture Capital Ltd. The assets of the company are not included in the Consolidated Revenue Account and balance sheet. This company stopped trading in September 2000.

Leasing

Most lease rental payments are charged evenly to the revenue account over the life of the lease. We have to deal with some leases, known as finance leases, in the same way as other capital spending. We have included these as assets in the consolidated balance sheet and will charge depreciation costs on them.

Overheads

Most of the costs of management and administration have been recharged to services through service level agreements, which we agree with customers and review every year. The costs of managing the authority are a direct charge to corporate management. Office costs are recharged based on the floor area of each office. The administration costs of the pension fund are charged to that fund.

Provisions

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

- They must be a result of a past event.
- The amount must be accurate.
- There must be a clear responsibility to make this future payment because of the past event.

Debtors and Creditors

There were no significant estimates for debtors and creditors in the financial statements.

Reserves

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

The system of capital accounting has meant we also have to include two accounts in the consolidated balance sheet.

Fixed Asset Restatement Account	~	This account represents changes in the value of our assets caused by revaluing fixed assets. This account also includes the net book value of assets we have sold.
Capital Financing Account	~	This account includes amounts we have set aside from day-to-day spending or capital receipts to pay for fixed assets or to repay loans.

We also keep a separate reserve to hold unused cash we receive from selling fixed assets. This is described in the balance sheet as ‘unused money from selling assets’.

We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a separate reserve called ‘unused capital grants and contributions’.

Stocks

The Highway Department’s stocks are valued at the cost of replacing them. Other stocks are valued at the cost we bought them at. These methods of valuing stocks are different from the methods set out by the CIPFA code of practice on local authority accounting in Great Britain. This does not have a major effect on the financial statements.

Revenue and capital transactions

Revenue and capital transactions are recorded on an income and expenditure (spending) basis. This means that income is recorded in our accounts when we are owed it rather than when we receive it. Likewise, expenditure is recorded in our accounts when we owe it, rather than when we actually make a payment.

The pension fund

We manage three different pension schemes to meet our employees’ needs. All three schemes provide members with pensions and other benefits that are related to their pay and length of service. The pension schemes are as follows.

Teachers	~	The Department for Education and Skills (DfES) runs this scheme. The DfES sets the rate of contributions we must pay.
Uniformed firefighters	~	Our costs each year represent the cost of providing pensions and other benefits, less the employees’ contributions for the year.
Other employees	~	Other employees automatically join the Local Government Pension Scheme (LGPS), unless they make a decision to opt out of the scheme.

The pension costs included in the accounts for these schemes have been worked out in line with relevant government regulations. As well as the contribution we pay for employees, we must also show the extra costs of pensions decisions we have made in the current year, no matter when we will actually pay the financial cost.

We have prepared the pension accounts in line with CIPFA’s code of practice, so we prepare the pension accounts on an ‘accruals basis’ (that is, items are included in the year they relate to), except for transfer values, which are accounted for on a ‘cash basis’ (that is, items are included in the year in which they are made).

Teachers’ discretionary benefits

We pay the basic retirement and superannuation benefits of retired teachers out of money provided by the Government. However, we pay any extra added years of benefits and early retirement costs to pensioners. Under FRS 17 the benefits we pay are classed as defined benefits so, in our accounts we need to show the extra costs of pension decisions we have made in the current year, no matter when we will actually pay these costs.

As a result, the closing balance sheet for 2005/2006 includes a pensions liability of £40.4 million, balanced by a pensions reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.

Charges to service revenue accounts are based on a share of current service costs (the increase in future benefits arising from service earned in the current year).

The projected cost of discretionary awards (as past service costs) are charged to non-distributed costs in the year that the decision to make the award is made.

These two items have not changed our net spending.

Extra items for interest costs and expected return on assets are shown in the Consolidated Revenue Account. This has increased net spending by £1.9 million.

However, although under FRS 17 we must show current service costs, past service costs, interest costs and expected return on assets in the Consolidated Revenue Account, this does not affect the amount Council Tax payers have to pay because we transfer these entries to the Pension Reserve and replace them with the employer’s contributions paid and due by 31 March 2006.

When we assessed our liabilities for retirement benefits as at 31 March 2005 for the 2004/2005 Statement of Accounts, the actuary had to use a discount rate of 2.5% real (5.4% actual). This rate was stated in the Statement of Recommended Practice (SORP). For the 2005/2006 Statement of Accounts, we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme’s liabilities. The actuary has advised that the rate of 2.0% real (4.9% actual) is appropriate. They have adjusted the real rate to allow for inflation. Applying this rate has resulted in an increase in our liabilities, measured at today’s prices, of £1.5 million. We have included this amount in the increase in actuarial losses recognised for the year in the Statement of Total Movement on Reserves.

Unfunded scheme (firefighters’ scheme)

Following the introduction of FRS 17 retirement benefits principles, our accounting policies for retirement costs changed dramatically in 2003/2004. In previous years, we treated the cost of pensions as the amounts we paid to retired officers and amounts due but not paid by 31 March.

This policy recognises how much retirement benefits will cost us when we agree to pay them, even if this is many years in the future. Also, we take account of any finance costs and changes in fund assets and liabilities in the year they happen. As a result, the closing balance sheet for 2005/2006 includes a pensions liability of £168.9 million, balanced by a Pensions Reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.

Charges to the service revenue accounts are now based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather than the employer’s contribution.

Projected costs of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

These two items have not changed our net spending.

Extra items for interest costs and expected return on assets are shown in the Consolidated Revenue Account. This increased our net spending by £7.2 million.

However, although under FRS 17 we must show current service costs, past service costs, interest costs and expected return on assets in the Consolidated Revenue Account, this does not affect the amount of Council Tax payers have to pay because we transfer these entries to the Pensions Reserve and replace them with the employer’s contributions paid and due by 31 March.

When we assessed our liabilities for retirement benefits as at 31 March 2005 for the 2004/2005 Statement of Accounts, the actuary had to use a discount rate of 3.5% real (6.3% actual). This rate was stated in the Statement of Recommended Practice (SORP). For the 2005/2006 Statement of Accounts, we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme’s liabilities. The actuary has advised that the rate of 1.7% real (5.4% actual) is appropriate. They have adjusted the real rate to allow for inflation. Applying this rate has resulted in an increase in our liabilities, measured at today’s prices, of £24.6 million. We have included this amount in the increase in actuarial losses recognised for the year in the Statement of Total Movement on Reserves.

Funded scheme – LGPS (other employees)

The provision of FRS17 requires us to state how much retirement benefits will cost us when we agree to pay them, even if this is many years in the future. Also, we take account of any finance costs and changes in fund assets and liabilities in the year they happen. As a result, the closing balance sheet as at 31 March 2006 includes a pensions liability of £165.9 million, balanced by a pensions reserve of the same value. This shows that the charge against Council Tax reflects the actual cash paid in the year.

Charges to service revenue accounts are now based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather than the employer’s contributions.

Projected cost of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

These two items have decreased our total net spending by £4.2 million.

Extra items for interest costs and expected return on assets are shown in the Consolidated Revenue Account. This increased our total net spending by £4.0 million.

However, although under FRS 17 we must show current service costs, past service costs, interest costs and expected return on assets in the Consolidated Revenue Account, this does not affect the amount Council Tax payers have to pay because we transfer these entries to the Pensions Reserve and replace them with the employer's contributions paid and due by 31 March.

When we assessed our liabilities for retirement benefits as at 31 March 2005 for the 2004/2005 Statement of Accounts, the actuary had to use a discount rate of 2.5% real (5.4% actual). This rate was stated in the Statement of Recommended Practice (SORP). For the 2005/2006 Statement of Accounts, we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme's liabilities. The actuary has advised that the rate of 2.0% real (4.9% actual) is appropriate. They have adjusted the real rate to allow for inflation. Applying this rate has resulted in an increase in our liabilities, measured at today's prices, of £1.8 million. We have included this amount in the increase in actuarial losses recognised for the year in the Statement of Total Movement on Reserves.

The provisions of the Local Government Pension scheme were changed by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum than the standard 3/80th by commuting part of their pension.

The commutation terms are such that it is less costly for the scheme to provide the lump sum than the annual pension, so that to the extent that members take up the option, it will reduce the employers' pension costs. The Council's actuary has made allowance for this on the assumption that 50% of members will take up the option to increase their lump sum to the maximum available. The 50% assumption is purely an estimate but is consistent with the basis on which the potential cost savings have so far been estimated. The effect of this assumption is shown as a past service gain of £10.8 million in the FRS 17 liability calculation.

Other changes to the Scheme have also been proposed, most significantly the removal of the Rule of 85 retirement provisions with effect from 1 October 2006. However this change will only affect benefits accruing from that date onwards and is not relevant to the 2005/2006 accounting disclosures.

Consolidated Revenue Account

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

2004/2005 net spending £millions	Summary of revenue spending	2005/2006 gross spending £millions	2005/2006 income £millions	2005/2006 net spending £millions
	Money spent on services			
14.7	~ cultural and other related services	20.4	-3.8	16.6
12.4	~ environmental services	19.9	-5.7	14.2
6.8	~ planning and development services	10.2	-3.5	6.7
320.0	~ education	438.3	-98.5	339.8
20.8	~ fire service	25.1	-1.9	23.2
30.4	~ highways, roads and transport services	41.7	-8.8	32.9
104.4	~ social services	171.2	-57.2	114.0
2.0	~ court services	0.4	0.0	0.4
6.9	~ central services (see notes 11 and 12)	-0.5	-0.8	-1.3
12.6	~ other services	25.3	-11.4	13.9
531.0	**Total cost of services**	**752.0**	**-191.6**	**560.4**
0.2	~ payments to the Environment Agency	0.2		0.2
-0.1	~ rebate from purchasing agreement		-0.1	-0.1
0.3	~ capital fees and expenses	0.3		0.3
-0.3	~ overall profit from trading accounts	5.0	-4.7	0.3
-3.5	~ interest earned on cash balances		-3.7	-3.7
-47.6	~ money transferred from the Asset Management Revenue Account	-44.0		-44.0
10.7	~ pensions interest cost and expected return on assets	13.1		13.1
490.7	**Total net spending**	**726.6**	**-200.1**	**526.5**
	Contributions and adjustments			
-3.7	~ contributions to the capital fund to buy assets	-2.4		-2.4
5.3	~ capital spending met from revenue	6.5		6.5
-18.6	~ transfer to Capital Financing Account	-19.3		-19.3
-8.4	~ spending on assets we don't own	-12.0		-12.0
8.3	~ contribution to or from earmarked reserves	-0.3		-0.3
1.4	~ contribution to schools' reserves	2.0		2.0
-13.9	~ contribution from the Pensions Reserve	-8.9		-8.9
461.1	**Amount to be met from government grants and local taxpayers**	**692.2**	**-200.1**	**492.1**
	Where we got the money from			
-175.6	Council Tax income			-182.8
-0.2	Surplus (-) or deficit on previous year's collection of Council Tax			0.6
-155.1	Government Revenue Support Grant			-147.2
-134.2	Business rates			-164.0
4.0	**Surplus or (-loss) for the year transferred to the general reserve**			**1.3**
2.9	Balance on the general reserve brought forward			6.9
6.9	**Balance on the general reserve carried forward**			**8.2**

Of the balance held in general reserves none is attributable to schools as they hold a separate earmarked reserve (see note 2).

Notes to the Consolidated Revenue Account

Note 1 Transactions with related organisations and people for 2005/2006 were as follows.

A number of councillors and senior officers are members of other local organisations (for example, district councils, police authorities and NHS trusts) who we have provided services for or received services from. A number of senior officers 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, Warwickshire Environmental Trust, Warwickshire Careers Services Limited and Coventry and Warwickshire Reinvestment Trust Fund). You can see registers of members' and officers' interests at Shire Hall, Warwick or the registered office of the company in question if not Shire Hall, Warwick.

Central Government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties. Details of the transactions with government departments are set out in a note to the Cash Flow Statement on page 53.

Members of the Council have direct control over the council's financial and operating policies. They are required to declare any contracts between the Council and themselves including any between those organisations with which they have a financial or contractual interest. In 2005/2006 the authority paid £0.1 million to organisations in which members registered this interest.

Senior Officers of the Council have declared certain interests in companies and related parties. The total payments in 2005/2006 to these organisations was £2.5 million.

During the year the pension fund had an average balance of £11.6 million deposited with the Council. The council paid a total of £0.5 million in interest on these deposits. The council charged the fund £0.6 million for expenses incurred in administering the fund (excluding payroll processing costs).

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

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2005/2006 under CIPFA's Accounting Code of Practice.

Note 2 Breakdown of revenue reserves

On 31 March 2005 £ millions	Breakdown of revenue reserves	On 31 March 2006 £ millions
	Reserves held for specific purposes	
17.8	~ earmarked reserves	17.5
8.7	~ schools' reserves	10.7
26.5		28.2
	Other reserves	
6.9	~ the general reserves	8.2
3.7	~ the capital fund	1.3
37.1	**Total**	**37.7**

Note 3 The Asset Management Revenue Account

This account records capital charges made into service revenue accounts, and other capital accounting entries, so there is no cost to the taxpayer.

2004/2005 £ millions	The Asset Management Revenue Account	2005/2006 £ millions
	Income	
	Capital charges	
-79.6	~ to services	-79.4
-18.4	Government grants due	-16.9
-98.0		-96.3
	Less spending	
38.1	Depreciation	38.6
12.3	Interest charges	13.7
50.4		52.3
-47.6	**Total**	**-44.0**

Note 4 Rent we have to pay for leased assets

Total 2004/2005 £ millions	Rent we have to pay for leased assets	Vehicles, plant and equipment £ millions	Land and buildings £ millions	Total 2005/2006 £ millions
1.500	Operating leases	1.300	1.300	2.600
0.030	Finance leases	0.040	0.000	0.040
1.530	**Total**	**1.340**	**1.300**	**2.640**

We lease a small number of vehicles and buildings in order to provide some of our services.

Note 5 Transfer to and from the Capital Financing Account

2004/2005 £ millions	Transfer to and from the Capital Financing Account	2005/2006 £ millions
6.7	Minimum amount we have to set aside for repaying money we have borrowed	7.6
-38.1	Depreciation	-38.6
18.4	Adjustment for government grants due	16.9
-5.6	Capital spending not increasing value	-5.2
-18.6	**Transferred to or from the Capital Financing Account**	**-19.3**

Note 6 Agency income and spending

The main items of agency income and spending included in the summary of revenue spending are as follows.

2004/2005		Agency income and spending	2005/2006	
spending £ millions	income £ millions		spending £ millions	income £ millions
		Planning and transport		
0.7	0.2	Work the district councils carry out for us	1.4	1.0
0.4	0.4	Work we carry out for the Department for Transport and the Office of the Deputy Prime Minister (ODPM)	0.4	0.4

Note 7 Supplying goods and services to other local authorities and organisations

Under the Local Authority (Goods and Services) Act 1970 we are allowed to provide goods and services to other local authorities and other public organisations, including colleges and the Warwickshire Police Authority.

2004/2005	Goods and services we provide to other local authorities and organisations	2005/2006		
net income £ millions		income from charges £ millions	spending £ millions	net spending £ millions
0.0	Contract and management services	-0.6	0.6	0.0
0.0	Chief Executives	-4.5	4.5	0.0
0.0	Libraries,heritage and trading standards	-0.3	0.3	0.0
0.0	Social Services	-0.3	0.3	0.0
0.1	Education	-3.6	3.4	-0.2
-0.1	Planning Transport and Environmental Strategy	-1.1	1.6	0.5
0.0	Other services	-0.7	0.7	0.0
0.0	**Total**	**-11.1**	**11.4**	**0.3**

A negative (-) figure shows that our income was more than our spending.

Note 8 The publicity account

Under section 5 of the Local Government Act 1986, we must keep a separate account of our spending on publicity.

2004/2005 £ millions	Publicity account	2005/2006 £ millions
0.2	Employees and other related spending	0.1
1.6	Advertising job vacancies	1.4
0.9	Other spending	1.1
2.7	**Total**	**2.6**

Note 9 FRS 17 Accounting For Pension Costs: Local Authorities (In this section the figures in brackets are the figures for 2004/2005.)

This note applies as well as the balance sheet note 15 on page 43 and the Statement of Total Movement in Reserves on page 50. The balance sheet note provides the information we must give under FRS 17. The purpose of FRS 17 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The Statement of Total Movement in Reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets for the LGPS, the firefighters' pension scheme and the discretionary teachers' scheme.

Teachers

There is a defined benefit pension scheme for our teaching staff, under the Superannuation Act 1972. The Teachers' Pensions Agency manages the scheme under the Teachers Pensions Regulations 1997, as amended. The scheme provides teachers with a defined benefit when they retire. Although we employ teachers, their retirement and superannuation benefits are paid out of money provided by the Government. The Government sets teachers' and employers' contribution rates and reviews these at least every five years.

We pay over the employees' and employers' contributions to the Government. Also, we must pay any costs relating to early retirement. In 2005/2006, early retirement costs were £0.2 million (£0.3 million in 2004/2005). There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability for that teacher's service. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2005/2006, teachers paid 6% of their salary and we paid 13.5% (13.5%) of teachers' salaries. A supplementary contribution is not needed at the moment. The total employers' contribution cost was £16.8 million in 2005/2006 (£18.3 million). This was 13.5% (13.5%) of teachers' salaries.

We are also responsible for all pension payments relating to added pensionable years we have awarded, together with the related increases. In 2005/2006, these came to £2.5 million (£2.4 million) and represented 1.8% (1.8%) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2005/2006, these retirement costs were £0.2 million (£0.3 million in 2004/2005). Under FRS 17, we class these benefits as defined contribution and so the requirements of FRS 17 apply.

Under FRS 17, we show the cost of retirement benefits in 'Money spent on services' in the Consolidated Revenue Account when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in 'Contributions and adjustments' so that the charge against Council Tax reflects the actual cash we have paid relating to the year.

2004/2005 £ millions	Discretionary teachers' pension scheme	2005/2006 £ millions
	Money spent on services	
0.0	~ current service cost	0.0
-1.9	~ past service cost	-2.8
	Total net spending	
-1.9	~ interest cost	-1.9
0.0	~ expected return on assets	0.0
	Amount to be met from government grants and local taxpayers	
-5.1	~ total movement on the Pensions Reserve	-3.7
4.0	~ less actuarial gains or losses	1.8
-1.1	~ Contribution from the Pensions Reserve	-1.9
	Actual amount charged against Council Tax for pension in the year	
2.7	~ retirement benefits paid or due to be paid to pensioners	2.8

Note 15 to the balance sheet shows details of the assumptions we have made when estimating the figures included in this note. The Statement of Total Movement in Reserves sets out the actuarial gains and losses made in 2005/2006.

Uniformed firefighters

There is a defined benefit pension scheme for our firefighters, under the Superannuation Act 1972. The Office of the Deputy Prime Minister is responsible for the laws and rules controlling the scheme. We pay firefighters' retirement and superannuation benefits. As the scheme is unfunded (it has no assets), we meet the cost each year using employees' contributions and the revenue money we provide.

Under FRS 17, we show the cost of retirement benefits in ‘Money spent on services’ in the Consolidated Revenue Account when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in ‘Contributions and adjustments’ so that the charge that is made against the Council Tax reflects the actual cash we have paid relating to the year.

We have made the following transactions in the Consolidated Revenue Account during the year.

2004/2005 £ millions	Firefighters' pension scheme	2005/2006 £ millions
	Money spent on services	
-3.0	~ current service cost	-4.1
-0.3	~ past service cost	-0.2
	Total net spending	
-6.7	~ interest cost	-7.2
0.0	~ expected return on assets	0.0
	Amount to be met from government grants and local taxpayers	
-25.5	~ total movement on the Pensions Reserve	-36.0
20.1	~ less actuarial gains or losses	28.8
-5.4	~ Contribution from the Pensions Reserve	-7.2
	Actual amount charged against Council Tax for pension in the year	
4.7	~ retirement benefits paid and due to be paid to pensioners	4.7
-0.1	~ transfers in	-0.4

In 2005/2006, the net cost of pensions (after including employees' contributions) was £2.5 million (£2.5 million) representing 29.0% (32.4%) of pensionable pay. Note 10 to the balance sheet shows details of the assumptions we have made when estimating the figures included in this note. The Statement of Total Movement in Reserves sets out the actuarial gains and losses made in 2005/2006.

LGPS - Other employees

We provide a funded, defined benefit pension scheme for our staff, under the Superannuation Act 1972 and the Local Government Regulations 1995. We manage the scheme for the five district councils and 56 other organisations. We prepare the accounts in line with the CIPFA Code of Practice and they are separate from our financial statements.

The scheme provides pensions and other retirement benefits for employees, based on final salaries. The yearly funding cost of these pensions is based on valuations the fund's actuary makes every three years. Our costs are covered by both our and our staff's contributions. Under FRS 17, we show the cost of retirement benefits in 'Money spent on services' in the Consolidated Revenue Account when the employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the 'Contributions and adjustments' so that the charge against Council Tax reflects the actual cash we have paid in employer's contributions relating to the year.

We have made the following transactions in the Consolidated Revenue Account during the year.

2004/2005 £ millions	Local Government Pension Scheme	2005/2006 £ millions
	Money spent on services	
-19.2	~ current service cost	-21.2
-0.5	~ past service cost	10.5
0.0	~ curtailment costs	-1.3
	Total net spending	
-26.8	~ interest cost	-30.6
24.7	~ expected return on assets	26.6
	Amount to be met from government grants and local taxpayers	
-105.2	~ total movement on the Pensions Reserve	4.5
97.8	~ less actuarial gains or losses	-1.0
0.0	~ Less transfer of Magistrates Courts	-3.3
-7.4	~ Contribution to/from (-) the Pensions Reserve	0.2
	Actual amount charged against Council Tax for pension in the year	
14.4	~ total employer's contribution	16.2

In 2005/2006, we paid a normal employer's contribution of £13.5 million (£12.7 million) into the pension fund. This was 11.7% (11.2%) of pensionable pay. The fund's actuary sets the contribution rate based on valuations every three years. The last review was on 31 March 2004 and changed contribution rates from 1 April 2005.

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2005/2006, these came to £1.2 million (£1.2 million), which was 1.0% (1.0%) of pensionable pay. Note 15 to the balance sheet gives details of the assumptions we have made when estimating the figures included in this note. The Statement of Total Movement in Reserves gives details of the actuarial gains and losses made in 2005/2006.

For more information, please ask us for a copy of our Pension Fund's Annual Report.

Note 10 Employee pay and members' allowances

Under CIPFA regulations, we must 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 and leased-car subsidy (where appropriate).

2004/2005 staff numbers	Employee pay bands	2005/2006 staff numbers	Number of staff that left in 2005/2006
69	£50,000 - £59,999	81	4
25	£60,000 - £69,999	29	0
4	£70,000 - £79,999	6	0
2	£80,000 - £89,999	4	0
6	£90,000 - £99,999	4	1
0	£100,000 - £109,999	5	1
0	£110,000 - £119,999	3	3
0	£120,000 - £129,999	1	1
1	£130,000 - £139,999	0	0
0	£140,000 - £149,999	0	0
0	£150,000 - £159,999	1	1
107		**134**	**11**

The above table includes payments to staff that have left the organisation during the year following the changes to our structure as part of a continuing programme of modernising services.

We paid £0.8 million (£0.9 million in 2004/2005) in members' allowances during the year. Members are not included in the table above because no single member was paid more than £50,000 during the year.

Note 11 Corporate and democratic core

Under the Best Value Accounting Code of Practice, we must keep a separate record of spending on these activities, which, in the past, were charged to services. In 2005/2006, we spent £3.9 million on various support services, compared with £3.8 million in 2004/2005. This spending is now shown within the 'central services' heading in our Consolidated Revenue Account.

Note 12 Non-distributed costs

For 2005/2006, under the Best Value Accounting Code of Practice, we must show pensions costs identified as past service costs, settlement costs and curtailment costs outside individual service spends. In 2005/2006, these came to a net reduction in costs of £6.2 million (£2.7 million net additional cost in 2004/2005). These are shown in 'central services costs' in the Consolidated Revenue Account on page 18. The cost of providing retirement benefits earned by and awarded to employees during the year is shown in service spends as current service costs. There is a change to the Local Government Pension scheme that will allow members to take a higher lump sum on retirement by reducing their annual pension. This will reduce the employers' pension costs. This has resulted in the estimated gain above. See the accounting policies on page17.

Note 13 Pooled budgets with health

Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 allow joint-working arrangements between NHS organisations and local authorities. Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool will be that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

In 2002/2003, we entered into pooling arrangements under section 31 of the Health Act 1999 for people with learning disabilities. For 2005/2006 we managed the pooled resources, and contributions into the pool from health organisations, which totalled £0.4 million. We spent £0.3 million on taking forward the Government's agenda for valuing people, in particular, modernising day services with a strong commitment to person-centred planning, identifying employment opportunities and providing advocacy services (helping people to say what they want to say). The unspent balance of £0.1 million has been carried forward.

In 2004/2005, we entered into pooling arrangements under section 31 of the Health Act 1999 to provide a joint community-equipment service between us and the three Warwickshire primary care trusts. We managed the pooled resources, which added up to £2.5 million (a contribution of £1.0 million from us and £1.5 million from the three primary care trusts). This was fully spent in 2005/2006.

A section-31 agreement between us and the three Warwickshire primary care trusts to provide ‘integrated services’ for children with disabilities came into force on 1 April 2005. This provides a single contact point for all services. The various partners contributed a total of £0.4 million, with our contribution being £0.2 million. During 2005/2006 the actual spending was £0.3 million, leaving £0.1 million to be carried forward.

In 2005/2006, we entered into pooling arrangements to provide substance-misuse treatment services between us and the three Warwickshire primary care trusts. We managed the pooled resources, as the lead agency, totalling £1.8 million with our own contribution of £0.1 million, £1.7 million from the three primary care trusts and £0.026 million from the four Warwickshire crime and disorder reduction partnerships. During the year the actual spending was £1.8 million. There was a surplus of £0.048 million which is committed to be spent in 2006/2007.

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

2004/2005 surplus(-) or loss £ millions	**Pooled budgets with health**	**2005/2006**			
		Our contribution £ millions	**Total pooled resources £ millions**	**Total spending £ millions**	**Surplus(-) £ millions**
	Section-31 agreements:				
0.0	- People with learning disabilities	0.0	0.4	0.3	-0.1
0.0	- Integrated community equipment service	1.0	2.5	2.5	0.0
-0.2	- Integrated services for children with disabilities	0.2	0.4	0.3	-0.1
	Other pooled budgets with health:				
0.1	- Substance misuse treatment services	0.1	1.8	1.8	0.0
-0.1	**Total**	**1.3**	**5.1**	**4.9**	**-0.2**

Note 14 Audit fees

We will have paid the following audit fees for work carried out for the year ended 31 March 2006.

2004/2005 £ millions	Audit fees	2005/2006 £ millions
0.2	Fees for the external audit services	0.3
0.1	Fees for auditing grant claims and returns	0.1
0.0	Fees for statutory inspection	0.0
0.0	Fees for other services provided by the auditor	0.0
0.3	**Total**	**0.4**

Note 15 Section 137 of the Local Government Act 1972

Section 137 of the Local Government Act 1972 (as amended) allows us to spend money to benefit the local area or the people of Warwickshire where we have no other specific legal power to spend. In 2005/2006, we spent £0.024 million under section 137 (£0.023 million in 2004/2005). This relates to payments made to Warwickshire Rural Community Council.

Note 16 Any acquired or discontinued operations

There were no acquired or discontinued operations. This is where responsibility for a service has passed to or from the authority. However provision of Magistrates Courts' services transferred to the Department for Constitutional Affairs (DCA) on 1 April 2005.

Note 17 Exceptional items

There were no exceptional items.

Note 18 Accounting for the Landfill Allowance Trading Scheme

The Waste and Emissions Trading Act 2003, places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste sent to landfill. The Act also provides the framework for the Landfill Allowances Trading Scheme (LATS) which applies only to WDAs in England and commenced on 1 April 2005.

Under the act, each WDA, is allocated landfill allowances and not allowed to landfill biodegradable municipal waste above this allowance, unless they can purchase surplus allowances from another WDA or pay a financial penalty to the Department for Environment, Food and Rural Affairs (DEFRA) for failing to acquire sufficient allowances.

We had surplus allowances in 2005/2006 of 25,002 tonnes, which will be transferred in 2006/2007 to supplement the 2006/2007 landfill allowance. Based on our Waste Strategy, we do not intend to buy or sell allowances up until 2009/2010 at the earliest based upon current projections of municipal waste growth.

The effect in our financial statements of these new regulations is that we have to show the value of the receipt of our annual landfill allowance from DEFRA as grant income in the year and as a current asset in our consolidated balance sheet (landfill allowances asset account) . In addition we have to show the value of the allowances we have used in the year as spend in our consolidated revenue account via the setting up of a provision (liability for landfill usage account) in our consolidated balance sheet. The net effect on the consolidated revenue account is a surplus for the year of £0.5 million which has been added to our general reserve.

The valuation of the allowances we received from DEFRA and the allowances we have used in the year were both at DEFRA's suggested valuation of £20.20 per tonne.

Trading accounts

This section summarises the performance of our trading accounts.

Background

Under the Best Value Accounting Code of Practice, we now have to publish details of our trading arrangements. Our business units compete with firms for contracts to provide services to us. The statement below summarises our trading activities with a turnover of more than £1 million (including internal income).

Financial aim

Our trading accounts must 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, our business unit reserves.

The spending below is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the new accounting treatment of FRS 17 pensions costs (to reflect the actual costs of pensions decisions they have taken in the current year).

2004/2005 Restated	Trading activity	2005/2006		
Adjusted surplus (-) or loss £ millions		Spend After Internal Income £ millions	External Income £ millions	Adjusted surplus (-) or loss £ millions
-0.1	County caterers	1.0	-0.4	0.6
0.0	County cleaning	0.4	-0.4	0.0
0.2	County grounds maintenance	0.0	0.0	0.0
-0.5	IT services	-0.4	-0.1	-0.5
-0.2	Warwickshire education services	0.3	-0.3	0.0
0.0	Payroll services	0.3	-0.4	-0.1
0.2	Construction services	1.3	-1.1	0.2
0.0	County fleet maintenance	1.2	-1.1	0.1
0.0	Design services	0.4	-0.4	0.0
0.1	Warwickshire contracting (WARCO)	0.0	0.0	0.0
0.1	Legal Services	0.5	-0.5	0.0
-0.2	**Total**	**5.0**	**-4.7**	**0.3**

The total income for 2005/2006 for our significant trading activities above was £39.8 million (£37.3 million in 2004/2005) which included £35.1 million of internal income recharged to services (£32.9 million in 2004/2005).

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

We have restated the figures for 2004/2005 to include Legal Services.

IT Services is responsible for managing our IT development. Charges to services are managed on a ‘rolling’ basis with the balance of income and expenditure held in our ‘corporate equalisation fund’.

We have always tried to achieve value for money when using our resources. We set up many of the current business units as a result of either compulsory competitive tendering (CCT), where they were successful in getting contracts against private-sector competition, or were set up to prepare us for voluntary competitive tendering (VCT).

The best value review of highways maintenance recommended a new partnering approach for delivering of highways maintenance services. This resulted in the service transferring from Warwickshire Contracting (WARCO) to Carillion PLC on 4 May 2004.

Under our Contract Standing Orders and Constitution, Cabinet must approve any business unit service that needs subsidisation. Both Warwickshire Contracting (WARCO) and County Grounds Maintenance stopped trading in 2004/2005 due to the difficulties they faced in trading in very competitive markets. Warwickshire Contracting stopped trading on 4 May 2004 and County Grounds Maintenance stopped trading on 31 March 2005.

Consolidated balance sheet on 31 March 2006

On 31 March 2005 £ millions	Consolidated balance sheet on 31 March	On 31 March 2006 £ millions	Notes
0.5	**Intangible Assets**	0.5	1 & 2
	Operational Assets		
971.6	~ Land and buildings	947.9	1 & 2
10.5	~ Vehicles, machinery, furniture and equipment	10.8	1 & 2
167.6	~ Roads and bridges	182.5	1 & 2
1.5	~ Country parks and open spaces	1.5	1 & 2
30.2	**Non Operational Assets**	28.1	1 & 2
1,181.9	**Total fixed assets**	**1,171.3**	
1.2	Long-term debtors	0.7	3
1,183.1	**Total long-term assets**	**1,172.0**	
	Current assets		
0.8	~ stocks and stores	0.6	
37.7	~ prepayments and money owed by debtors	35.8	4
79.5	~ short-term investments	110.1	
1.5	~ cash in the bank	1.7	
0.0	~ landfill allowances asset account	3.2	5
119.5		151.4	
	Current liabilities		
-0.2	~ loans due within 12 months	-2.6	6
-51.3	~ money we owe to creditors	-53.3	7
-51.5		-55.9	
68.0	**Current assets less current liabilities**	**95.5**	
-207.7	Loans due after one year	-236.8	6
-1.7	Provisions	-5.7	8
-340.0	Liability related to defined benefit pension scheme	-375.2	
-549.4	**Long-term liabilities**	**-617.7**	
701.7	**Net assets**	**649.8**	
	Financed from		
857.7	Fixed Asset Restatement Account	839.0	page 50
62.1	Capital Financing Account	41.5	page 50
67.2	Government Grants Deferred Account	76.9	page 50
-340.0	Pensions Reserve	-375.2	page 52
	Reserve funds		
6.9	The general reserve	8.2	9
26.5	Earmarked reserves	28.2	9
3.7	The capital fund	1.3	9
0.1	Unused money from selling assets	2.2	page 51
17.5	Unused capital grants and contributions	27.7	page 51
701.7	**Net worth**	**649.8**	

David Clarke
Strategic Director, Resources

Notes to the consolidated balance sheet

Note 1 Assets

Total assets	**Intangible assets £ millions**	**Operational assets £ millions**	**Non-operational assets £ millions**	**Total £ millions**
Gross book Value at 31 March 2005	0.6	1,255.7	30.7	1,287.0
Depreciation balance at 31 March 2005	-0.1	-104.5	-0.5	-105.1
Net book value at 31 March 2005	**0.5**	**1,151.2**	**30.2**	**1,181.9**
Changes in the year				
~ spending on assets	0.1	64.0	0.0	64.1
~ spending on assets we don't own	0.0	-12.0	0.0	-12.0
~ value of assets we have sold	0.0	-0.4	-2.0	-2.4
~ Changes in the value of assets	0.0	-12.1	0.0	-12.1
~ Changes in the value of assets (Magistrates Courts)	0.0	-10.8	0.0	-10.8
Depreciation				
~ Opening balance adjustment on depreciation (Magistrates Courts)	0.0	1.3	0.0	1.3
~ Opening balance adjustment on depreciation	0.0	-0.1	0.0	-0.1
~ depreciation	-0.1	-38.4	-0.1	-38.6
Net book value at 31 March 2006	**0.5**	**1,142.7**	**28.1**	**1,171.3**

Total assets	**Intangible assets £ millions**	**Operational assets £ millions**	**Non-operational assets £ millions**	**Total £ millions**
Gross book Value at 31 March 2006	0.7	1,284.4	28.7	1,313.8
Depreciation balance at 31 March 2006	-0.2	-141.7	-0.6	-142.5
Net book value at 31 March 2006	**0.5**	**1,142.7**	**28.1**	**1,171.3**

Adjustments have been made to our assets in relation to those held by Magistrates' Courts who were transferred out of the authority on 1 April 2005.

Intangible assets	**Software licences we have bought £ millions**	**Licences, trademarks and artistic originals £ millions**	**Patents £ millions**	**Total £ millions**
Net book value at the start of the year	0.5	0.0	0.0	0.5
Changes in the year				
~ spending on assets	0.1	0.0	0.0	0.1
~ spending on assets we don't own	0.0	0.0	0.0	0.0
~ value of assets we have sold	0.0	0.0	0.0	0.0
~ Changes in the value of assets	0.0	0.0	0.0	0.0
~ Opening balance adjustment on depreciation	0.0	0.0	0.0	0.0
~ depreciation	-0.1	0.0	0.0	-0.1
Net book value at the end of the year	**0.5**	**0.0**	**0.0**	**0.5**

We have not spent any money on trademarks and we do not hold any patents. Also, we have bought a number of software licences direct from revenue in the year, which cost £1.1 million (£1.8 million in 2004/2005).

Operational assets	Land and buildings £ millions	Vehicles and equipment £ millions	Roads and bridges £ millions	Country parks and open spaces £ millions	Total £ millions
Net book value at the start of the year	971.6	10.5	167.6	1.5	1,151.2
Changes in the year					
~ spending on assets	38.6	5.4	20.0	0.0	64.0
~ spending on assets we don't own	-11.8	-0.2	0.0	0.0	-12.0
~ value of assets we have sold	-0.1	-0.3	0.0	0.0	-0.4
~ Changes in the value of assets	-9.8	-2.3	0.0	0.0	-12.1
~ Changes in the value of assets (Magistrates Courts)	-10.4	-0.4	0.0	0.0	-10.8
~ Opening balance adjustment on depreciation (Magistrates Courts)	1.1	0.2	0.0	0.0	1.3
~ Opening balance adjustment on depreciation	-0.1	0.0	0.0	0.0	-0.1
~ depreciation	-31.2	-2.1	-5.1	0.0	-38.4
Net book value at the end of the year	**947.9**	**10.8**	**182.5**	**1.5**	**1,142.7**

Non operational assets	Surplus assets held for selling £ millions	Investment properties £ millions	Assets being built £ millions	Total £ millions
Net book value at the start of the year	21.4	1.3	7.5	30.2
Changes in the year				
~ spending on assets	0.0	0.0	0.0	0.0
~ spending on assets we don't own	0.0	0.0	0.0	0.0
~ value of assets we have sold	-0.6	0.0	-1.4	-2.0
~ Changes in the value of assets	0.0	0.0	0.0	0.0
~ Opening balance adjustment on depreciation	0.0	0.0	0.0	0.0
~ depreciation	0.0	0.0	-0.1	-0.1
Net book value at the end of the year	**20.8**	**1.3**	**6.0**	**28.1**

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 Institution of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations with Bruton Knowles, a company of property asset consultants.

The closing balances on 31 March 2006 were valued in the following ways.

~ Property and other assets that we use in our day-to-day work are included in the balance sheet at their open-market value based on their existing use. However, as property and other assets we use in our day-to-day work are rarely sold on the open market, for example schools, we have included them in the balance sheet at the amount it would cost to replace the assets in their current working order.

~ We have included assets that we do not use in our day-to-day work, including investment properties and assets we do not need any more, in the balance sheet at their open-market value.

~ We have included infrastructure assets, such as roads, roundabouts, bridges and community assets, in the balance sheet at the amount they cost when we bought them.

We revalue fixed assets every five years. All our assets were revalued in 2004. The revaluation increased the value of our assets by £477.6 million.

Depreciation

All assets with a limited useful life, such as vehicles and buildings, are reduced in value according to the following policies. This reduction in value is called depreciation.

~ Our new assets begin to fall in value from the start of the next financial year after they have been bought. But new assets that are being built do not start to fall in value until they are finished and ready to be used.

~ An asset’s value falls steadily throughout its life.

~ We charge depreciation costs on buildings as a single asset, even though there are individual parts within the building (such as boilers) which have a shorter useful life. This means that we charge depreciation costs on replacement parts of whole assets in the year we buy the parts.

We charge depreciation costs on all assets with a limited life, whether or not their value is being maintained through repairs and maintenance. We have charged depreciation costs on buildings over what our valuers think their estimated useful life will be (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment). The depreciation charge is to cover the economic usage of the asset.

We do not charge depreciation costs on land we own, as it does not have a limited useful life.

Intangible assets are valued at historic cost.

Our assets			
Buildings			
~ schools	243	~ group homes and hostels	25
~ special schools and units	10	~ other social services properties	20
~ youth centres	23	~ magistrates' courts	0
~ other education properties	7	~ smallholdings	61
~ libraries	24	~ administrative buildings	36
~ museums	3	~ housing	45
~ waste disposal sites	8	~ other	45
~ country parks and nature reserves	11	**Land** ~ smallholdings (hectares)	2,007
~ transport workshops and depots	6	~ other land (hectares)	1,750
~ fire stations	19	**Roads** (kilometres)	3,778
~ homes for elderly people	10	**Vehicles and equipment**	506

Assets held under finance leases	Gross book value 31 March 2006 £ millions	Built-up depreciation 31 March 2006 £ millions
Vehicles, machinery and equipment	0.2	0.1

2004/2005 £ millions	Where the money for our capital spending came from	2005/2006 £ millions
31.5	Borrowing	26.6
35.7	Grants and money from other organisations	26.6
3.4	Selling assets	4.4
4.5	From our revenue spending	4.5
0.8	From our capital fund	2.0
75.9	**Total**	**64.1**

Capital financing requirement

2004/2005 £millions	Capital financing requirement	2005/2006 £millions
171.2	Opening requirement	195.0
	Capital investment	
65.4	- Operational assets	52.1
0.0	- Non-operational assets	0.0
8.0	- Spending on assets we do not own	12.0
0.1	- Finance leases and other adjustments	0.0
73.5	Total capital investment	64.1
	Sources of Finance	
-3.4	- Capital receipts	-4.4
-34.4	- Government grants and other contributions	-26.6
-11.9	- Sums set aside form revenue	-14.0
-49.7	Total sources of Income	-45.0
195.0	**Closing capital financing requirement**	**214.1**

The capital financing requirement is a measure of the need to borrow to fund capital expenditure. It is used as a basis for calculating annual repayments of borrowing.

Note 2 Spending on assets we do not own – memorandum account

On 31 March 2005 £ millions	Spending on assets we do not own	On 31 March 2006 £ millions
0.0	Balance at the start of the year	0.0
8.4	Spending in the year	12.0
-8.4	Money transferred to the Capital Financing Account	-12.0
0.0	**Balance at the end of the year**	**0.0**

Note 3 Long Term Debtors

On 31 March 2005 £ millions	Long Term Debtors	On 31 March 2006 £ millions
0.6	Deposits and advances	0.5
0.6	Other long term debtors	0.2
1.2	**Balance at the end of the year**	**0.7**

Note 4 Prepayments and money owed by debtors

On 31 March 2005 £ millions	Debtors and Prepayments	On 31 March 2006 £ millions
28.0	Trade debtors & prepayments	27.4
2.2	VAT (net due to authority)	1.2
8.2	Capital debtors & prepayments	7.9
38.4	**Total Debtors**	36.5
(0.7)	less:- provision for Bad Debts	(0.7)
37.7	**Balance at the end of the year**	**35.8**

Note 5 Accounting for the Landfill Allowance Trading Scheme

The Waste and Emissions Trading Act 2003, places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste sent to landfill. The Act also provides the framework for the Landfill Allowances Trading Scheme (LATS) which applies only to WDAs in England and commenced on 1 April 2005.

Under the act, each WDA, is allocated landfill allowances and not allowed to landfill biodegradable municipal waste above this allowance, unless they can purchase surplus allowances from another WDA or pay a financial penalty to the Department for Environment, Food and Rural Affairs (DEFRA) for failing to acquire sufficient allowances.

We had surplus allowances in 2005/2006 of 25,002 tonnes, which will be transferred in 2006/2007 to supplement the 2006/2007 landfill allowance. Based on our Waste Strategy, we do not intend to buy or sell allowances up until 2009/2010 at the earliest based upon current projections of municipal waste growth.

The effect in our financial statements of these new regulations is that we have to show the value of the receipt of our annual landfill allowance from DEFRA as grant income in the year and as a current asset in our consolidated balance sheet (landfill allowances asset account) . In addition we have to show the value of the allowances we have used in the year as spend in our consolidated revenue account via the setting up of a provision (liability for Landfill usage account) in our consolidated balance sheet. The net effect on the consolidated revenue account is a surplus for the year of £0.5 million which has been added to our general reserve. The valuation of the allowances we received from DEFRA and the allowances we have used in the year were both at DEFRA's suggested valuation of £20.20 per tonne.

Note 6 Loans we have not yet repaid

On 31 March 2005 £ millions	Loans we have not yet repaid	On 31 March 2006 £ millions
	We owe money to:	
207.7	~ Public Works Loans Board	239.3
0.2	~ European Investment Bank	0.1
207.9	**Total**	**239.4**
	When we will pay the money back	
0.2	Less than 1 year	2.6
2.6	Between 1 and 2 years	3.8
6.4	Between 2 and 5 years	6.6
12.3	Between 5 and 10 years	13.3
186.4	More than 10 years	213.1
207.9	**Total**	**239.4**

Our level of borrowing is mainly due to paying for capital spending as shown in the table to note 1. We have increased our total level of borrowing in 2005/2006 to pay for this new capital spending (£26.6 million).

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 Consolidated Balance Sheet on page 32.

Note 7 Money we owe to creditors

On 31 March 2005 £ millions	Creditors	On 31 March 2006 £ millions
25.7	Trade & Other creditors (including payments to staff)	25.1
6.9	Taxation & Social Security creditors	7.3
11.0	Receipts in advance	15.1
7.7	Capital creditors	5.8
51.3	**Balance at the end of the year**	**53.3**

Note 8 Provisions

On 31 March 2005 £ millions	Provisions	On 31 March 2006 £ millions
0.1	**Balance at the start of the year**	1.7
1.6	Decrease or increase during the year	4.0
1.7	**Balance at the end of the year**	**5.7**
	Held by services for:	
1.7	~ specific service liabilities	3.0
0.0	~ liability for landfill usage account	2.7
1.7	**Total**	**5.7**

We have set aside £1.3 million to fund extra costs that we will have to pay after 31 March 2006 as a result of a fire at Avon Valley School in June 2004. Work on site commenced in March 2006 and is expected to be completed in 2007/2008.

We also set aside £1.3 million to fund the costs of modernisation of the authority which took place in 2005/2006. These costs should be finalised in 2006/2007.

We have also set aside £0.3 million to pay for claims where we have to refund charges for client aftercare made under the Mental Health Act. Claims will be paid to clients in future years as each one is finalised.

We have also set aside £0.1 million for children receiving education in hospitals that is provided by other local education authorities. Claims will be paid in future years as each one is finalised.

The liability for landfill usage account (£2.7 million) has been set up to recognise the actual landfill allowances used in 2005/2006 see note 5 above.

Note 9 Reserves

Reserves	Revenue reserves £ millions			Total £ millions
	General reserve	Earmarked reserves	Capital fund	
Balance on 1 April 2005	6.9	26.5	3.7	37.1
Surplus for the year	1.3	0.0	0.0	1.3
Changes in reserves during the year	0.0	1.7	-2.4	-0.7
Balance on 31 March 2006	**8.2**	**28.2**	**1.3**	**37.7**

The above balance on earmarked reserves includes £10.7 million held in respect of schools under delegated schemes.

Note 10 Associated companies

We no longer have any current trading arrangements with associated companies. Warwickshire Venture Capital Limited stopped trading on 30 September 2000. The company was a controlled company in that we held all the shares (100 £1 ordinary shares) in the company and the four directors on the board were all appointed by us. It is still not trading (it is dormant) and we have filed dormant company accounts with the Registrar of Companies from whom copies of filed accounts can be obtained.

A company called Scape System Build Limited was incorporated in December 2005. This company will continue the activities of the Consortium of Local Authorities Special Programme and commercially deliver building solutions. This company is a controlled company for the purposes of the Local Government and Housing Act 1989. Section 73 of that Act provides that companies may be regarded as under the control of each of a group of authorities, notwithstanding that they are not under the control or influence of any one of them. Therefore this company has not been consolidated into our accounts.

Note 11 Financial commitments

Leasing

The table below show the outstanding leasing commitment for the current operating and finance leases.

Operating leases	Vehicle, plant and equipment £ millions	Land and buildings £ millions	Total £ millions
Outstanding current leases in 2006/2007	1.2	1.1	2.3
Leases due to end in 2006/2007	0.2	0.1	0.3
Leases due to end in 2007/2008	0.1	0.1	0.2
Leases due to end in 2008/2009	0.2	0.0	0.2
Leases due to end in 2009/2010	0.2	0.1	0.3
Leases due to end in 2010/2011	0.1	0.2	0.3
Leases due to end in 2011/2012 to 2015/2016	0.4	0.6	1.0

Finance leases	Vehicle, plant and equipment £ millions	Land and buildings £ millions	Total £ millions
Outstanding current leases in 2006/2007	0.040	0.000	0.040
Leases due to end in 2006/2007	0.010	0.000	0.010
Leases due to end in 2007/2008	0.008	0.000	0.008
Leases due to end in 2008/2009	0.005	0.000	0.005
Leases due to end in 2009/2010	0.015	0.000	0.015
Leases due to end in 2010/2011	0.002	0.000	0.002
Leases due to end in 2011/2012 to 2015/2016	0.000	0.000	0.000

Spending on assets

On 31 March 2006, we were still due to make payments of £56.7 million on schemes that were not yet finished, or which we had not finished paying for.

The largest outstanding commitments are:-

1. Works at Avon Valley School - £14.6 million (total contract £15.3 million)
2. Saltisford offices lease premium and works Phase 1 - £8.5 million
3. Barford-by-pass - £4.9 million (total contract £5.5 million)
4. Coleshill Parkway contribution to transport infrastructure - £4.6 million (total contribution £5.1 million)
5. Central and northern area Special Education Needs projects - £8.3 million (total contracts £9.7 million).

Note 12 Trust funds

These funds are not included in the Consolidated Balance Sheet. The money does not belong to us. There are seven school trust funds where the money can only be used for educational purposes, and one library trust fund where the money can only be used for library and educational facilities. We are the only trustees of these trust funds. (See the table below.)

On 31 March 2005 £ millions	Trust funds	On 31 March 2006 £ millions
0.2	**Balance at the start of the year**	0.1
(0.1)	Movement on funds during the year	0.0
0.1	**Balance at the end of the year**	**0.1**

Note 13 Loan guarantees and other liabilities

We have acted as a guarantor for bank loans for housing associations to refurbish residential homes run by Warwickshire Care Services. The balance as at 31 March 2006 was £4.5 million.

We are a partner of a special company for the ‘Pride in Camp Hill Regeneration Initiative’. The company was set up in 2002/2003. We have entered into an agreement with our partners Advantage West Midlands and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. We expect this to be completed by October 2010. Each partner is committed to funding the running costs of the company in equal shares. Our share was £720,000 over the five years following this agreement. Also the partners have agreed to guarantee overdraft facilities of £100,000 with the company’s bank, again to be shared equally by all partners.

Note 14 Insurance risk

We (like many other local authorities) have separate reserves for meeting our share of each insurance claim (the excess). The excesses we need to meet on our policies are shown below.

Insurance risk	Excess for each claim (the amount we must pay towards each claim)		The most we would have to pay for claims paid under the excess
Schools' fire cover and other insured risks	£150,000	}	£600,000
Fire cover and other insured risks for other properties	£25,000		
Public and employer's liability	£125,000		£2,850,000
Our own motor vehicles (not including fire vehicles, coaches and minibuses) ~ accidental damage	full value of vehicle		-
Fire vehicles, coaches and minibuses	£100 - £500 depending on type of vehicle		-

On 31 March 2006, there was £8.9 million (£8.2 million in 2004/2005) in the insurance reserve.

As well as the excesses that are funded from this reserve, there are a number of excesses that each service must pay from their own budgets. These include excesses from £1,000 to £5,000 (depending on the insured risk) on property damage, the first £1,000 of theft losses (increased to £1,500 for computer losses) and the first £100 to £500 for accidental, fire or theft damage to vehicles.

Note 15 Local Government Pension Scheme

We operate a funded, ‘defined benefit’ pension scheme for our staff, under the Superannuation Act 1972 and the Local Government Regulations 1995. We manage the scheme on behalf of the five district councils and 56 other organisations. The scheme provides pensions and other retirement benefits for employees based on final salaries. The yearly funding cost of these pensions is based on an actuarial valuation every three years. The cost is paid for using contributions from us and our staff.

In 2005/2006, the contribution rates were based on the results of the 31 March 2004 actuarial valuation. As a result, our employer's contribution rate was 195% of the employees’ contribution.

In 2005/2006, we made normal employer’s contributions totalling £13.5 million (£12.7 million in 2004/2005). This was 11.7% of pensionable pay (11.2% in 2004/2005).

The accounting standard Financial Reporting Standard 17 (FRS 17) says we must show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the following assumptions shown over the page.

On 31 March 2005 % a year	Actuarial assumptions	On 31 March 2006 % a year
2.9	Inflation	2.9
4.65	Salary increases	4.65
5.4	Rate of discount	4.9
2.9	Pension increases	2.9

The assets of the scheme are split as follows.

On 31 March 2005 £ millions	Assets of the Local Government Pension Scheme	On 31 March 2006 £ millions
301.6	Equities	384.4
91.4	Bonds	106.6
7.6	Cash	5.0
400.6	**Total**	**496.0**

The expected rate of return over the following years is as follows.

On 31 March 2005 % a year	Expected rates of return	On 31 March 2006 % a year
7.5	Equities	7.0
4.7 to 5.4	Bonds	4.3 to 4.9
4.75	Cash	4.5

Our assets and liabilities for retirement benefits for the Local Government Pension Scheme as at 31 March 2006 are as follows.

On 31 March 2005 £ million	Local Government Pension Scheme	On 31 March 2006 £ million
400.6	Assets	496.0
-571.0	Liabilities	-661.9
-170.4	**Shortfall**	**-165.9**

The shortfall has decreased by £4.5 million. The movement in the shortfall is reconciled over the page. (See the glossary on page 71 onwards for the definition of terms used.)

On 31 March 2005 £ millions	Shortfall on the Local Government Pension Scheme	On 31 March 2006 £ millions
-65.2	Shortfall at the beginning of the year	-170.4
0.0	Add back Magistrates Courts shortfall (no longer WCC)	3.3
-19.2	Current service cost	-21.2
14.4	Employers' contributions (including receipts covering early retirements)	16.2
-0.5	Past service and curtailment costs	9.2
-26.8	Net interest cost	-30.6
24.7	Expected return on assets	26.6
9.7	Actuarial gain on assets	67.6
-10.8	Actuarial loss on liabilities	-15.0
-96.7	Actuarial loss on assumptions	-51.6
-170.4	**Shortfall at the end of the year**	**-165.9**

There were actuarial gains as a result of a difference between expected and actual returns on assets. There were actuarial losses due to the differences between the actuary's assumptions and the actual charges for liabilities, demographic (for example, life expectancy) or financial factors. The actuarial gain on assets amounted to 13.6% of the value of the assets at 31 March 2006.

The actuarial valuation is carried out by law every three years. It takes a long-term view and assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund's projected assets and liabilities and works out the amount employers will have to contribute for the next three years. So, the valuation on 31 March 2004 set the rate for 2005/2006, 2006/2007 and 2007/2008. The fund aims to set employers' contribution rates so that the projected assets equal at least 100% of the projected liabilities.

The actual valuation that relates to the employers' contribution rate for 2005/2006 took place as at 31 March 2004. At the March 2004 valuation, the funding level was 82%. As a result, the employers' rate increased from 1 April 2005 from 11.2% to 11.7%.

The value of the pension fund assets at 31 March 2006 is based on the market value at 31 December 2005, to which the actuary has applied an assumption as to the movement in the investment market in order to arrive at the valuation at the balance sheet date. Information that became available after 31 March 2006 showed that the market value of investment was understated by approximately 2% and consequently the FRS 17 pension deficit may be overstated.

Firefighters' pension scheme (In this section the figures in brackets are the figures for 2004/2005.)

We run the firefighters' pension scheme (a defined benefit scheme) for our firefighters under the Superannuation Act 1972. The Office of the Deputy Prime Minister is responsible for the legislation and regulations governing the scheme.

We pay firefighters' retirement and superannuation benefits. As the scheme is unfunded (that is, it has no assets), the cost is met using employees' contributions and revenue money we provide.

The employees' contribution rate is set by the Government and this is currently 11% of firefighters' pay. In 2005/2006, pension payments totalled £2.5 million (£2.5 million) and this was 29.0% (32.4%) of pensionable pay. We must pay any costs relating to early retirement. There were no costs in 2005/2006.

Under the accounting standard arrangement for FRS 17, we must show liabilities at the date of the balance sheet. The liabilities have been worked out by the Government Actuary's Department using the following actuarial assumptions.

On 31 March 2005 % a year		On 31 March 2006 % a year
2.9	Inflation	3.2
4.4	Salary increases	4.7
5.4	Rate of discount	3.2
2.9	Pension increases	4.9

On this basis, the balance sheet liability is -£168.9 million (-£132.9 million). The shortfall has increased by £36.0 million. The movement in the shortfall is reconciled as follows (see the glossary on page 71 onwards for the definition of terms used below).

On 31 March 2005 £ millions	Shortfall on the firefighters' pension scheme	On 31 March 2006 £ millions
-107.4	Shortfall at the beginning of the year	-132.9
-3.0	Current service cost	-4.1
4.7	Pensions paid by employer (gross each year)	4.7
-0.1	Transfers in	-0.4
-0.3	Past service costs	-0.2
-6.7	Net interest cost	-7.2
8.5	Actuarial gain/loss on liabilities	-4.7
-28.6	Actuarial loss on assumptions (liabilities)	-24.1
-132.9	**Shortfall at the end of the year**	**-168.9**

The liability arising from the FRS 17 calculations is notional (no cash is actually transferred) and has no direct effect on our reserves or the employers' contribution in the current year. As the scheme is not funded, we pay the pensions as they become due. We value liabilities in terms of their present cost.

Teachers' pension scheme (In this section figures in brackets are figures for 2004/2005.)

We operate the teachers' pension scheme for our teaching staff under the Superannuation Act 1972. The scheme is managed by the Teachers' Pensions Agency (TPA) under the Teachers' Pensions Regulations 1997, as amended.

Although we employ teachers, their retirement and superannuation benefits are paid out of money provided by the Government. The teachers' and employers' contribution rates are set by the Government and these rates are reviewed at least every five years. We pay the employees' and employers' contributions to the Government. Also, we must pay directly any costs relating to early retirement. In 2005/2006, this amounted to £0.2 million (£0.3 million).

The teachers' pension scheme is a defined benefit scheme. Although the scheme is unfunded, the TPA uses an assumed fund to work out the contribution rate that local education authorities must pay. However, it is not possible for us to identify which of the schemes liabilities are for our own employees. For these financial statements and in line with FRS 17, we have worked out these figures in the same way as a defined contribution scheme.

The last actuarial valuation of the Teachers' Pension Agency (for all teachers) was for the period 1 April 1996 to 31 March 2001 (every five years). The Government Actuary's (GA) report of March 2003 revealed that the total liabilities of the scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £142.9 billion. The value of assets (estimated future contributions, together with the proceeds from the notional investments held at the valuation date) was £142.9 billion. The GA assumed that prices would increase by 5% and salaries by 6.5%, and the rate of return on investment would be 7%.

No contributions for the teachers' pension scheme needed to be paid at the end of the financial year.

We class the teachers' pension scheme as a defined contribution scheme under FRS 17. However, we are responsible for paying any extra added years of benefits and early retirement costs to pensioners. Under FRS 17, these extra costs are classed as defined benefits. As a result, in our accounts we need to show the extra cost of pensions decisions we made in the current year, no matter when we will actually pay these financial costs.

Under the accounting standard arrangements for FRS 17, we must show liabilities at the date of the balance sheet. There is no fund for teachers' discretionary benefits and so there are no assets. The Government Actuary's Department has worked out how much we will pay using the following assumptions.

On 31 March 2005 % a year	Assumptions	On 31 March 2006 % a year
2.9	Inflation	2.9
5.4	Rate of discount	4.9
2.9	Pension increases	2.9

On this basis, the balance sheet liability is -£40.4 million (-£36.7 million). The shortfall has increased by £3.7 million. The movement in the shortfall is made up as shown below (see the glossary on page 71 onwards for the definition of terms used below).

On 31 March 2005 £ millions	Shortfall on teachers' discretionary benefits scheme	On 31 March 2006 £ millions
-31.6	Shortfall at the beginning of the year	-36.7
2.7	Benefits paid by the employer	2.8
-1.9	Past service and curtailment costs	-2.8
-1.9	Net interest cost	-1.9
-4.0	Actuarial loss on assumptions (liabilities)	-1.8
-36.7	**Shortfall at the end of the year**	**-40.4**

The liability arising from the FRS 17 calculations is notional and has no direct effect on our reserves or the employer's contributions. As the scheme is unfunded, we pay the pensions as they become due in the year.

Note 16 Joint bank account

The sum of £2.0 million (£1.8 million was deposited by a developer in 2001/2002) is in a joint bank account to which we are an account holder. This money is not included on the balance sheet and is only available to pay for building Rugby Western Relief Road.

Note 17 Events since the date of the balance sheet

These accounts have taken into account all known events up to xx[th] September 2006 when they were signed by our auditors. On that date the accounts were authorised for issue by the Strategic Director, Resources.

Note 18 Euro costs

Until a decision is made about whether the UK should introduce the euro, spending on euro activities will be taken from our existing budgets together with spending on other strategic planning. We have not entered into any financial commitments.

Statement of total movements in reserves

This section shows how our reserves have increased or decreased during the year.

Statement of total movement in revenue reserves	Revenue reserves £ millions			Total £ millions
	General reserve	Earmarked reserves	Capital fund	
Balance on 1 April 2005	6.9	26.5	3.7	37.1
Surplus for the year	1.3	0.0	0.0	1.3
Changes in reserves during the year	0.0	1.7	-2.4	-0.7
Balance on 31 March 2006	**8.2**	**28.2**	**1.3**	**37.7**

Of the £28.2 million earmarked reserves on 31 March 2006 shown in the table above, £10.7 million relates to reserves held by schools that manage their own budget, £8.9 million relates to money held in the insurance reserve and £8.6 million relates to money set aside by service departments. The money service departments set aside is held to make sure that they can meet future known budget commitments, and that the services will have the resources to react to any unexpected events they may be responsible for.

Statement of total movement in the capital reserves and accounts	Capital reserves and accounts £ millions			Total £ millions
	Fixed Asset Restatement Account	Capital Financing Account	Grants Deferred Account	
Balance on 1 April 2005	857.7	62.1	67.2	987.0
Assets we no longer own and revaluations	-8.8	-12.0	0.0	-20.8
Opening balance adjustments	-8.8	0.0	0.0	-8.8
Value of assets we have sold	-2.4	0.0	0.0	-2.4
Depreciation opening balance adjustments and depreciation written off on assets we have sold	1.3	0.0	0.0	1.3
Transfer of spending on assets we do not own	0.0	-5.2	0.0	-5.2
Transfers to and from the provision for credit liabilities	0.0	-31.1	0.0	-31.1
Government grant set aside	0.0	16.9	-16.9	0.0
Money used to buy assets	0.0	10.8	26.6	37.4
Balance on 31 March 2006	**839.0**	**41.5**	**76.9**	**957.4**

Statement of total movement in capital reserves and accounts	Capital reserves and accounts £ millions		Total £ millions
	Unused capital grants and contributions	Unused money from selling assets	
Balance on 1 April 2005	17.5	0.1	17.6
Grants received	20.4	0.0	20.4
Outside contributions received	16.4	0.0	16.4
Income from selling our assets	0.0	6.4	6.4
Money used to buy assets	-26.6	-4.3	-30.9
Balance on 31 March 2006	**27.7**	**2.2**	**29.9**

On 31 March 2005 £ millions	Statement of total movement in the LGPS Pensions Reserve	On 31 March 2006 £ millions	% of assets or liabilities
-65.2	Balance on 1 April	-170.4	
-7.4	Transfer from or to (-) revenue	0.2	
	Add back Magistrates (not WCC)	3.3	
	Actuarial gain or loss:		
9.7	- difference between actual and expected return on assets	67.6	13.6
-10.8	- difference between assumptions and actual experience on liabilities	-15.0	2.3
-96.7	- changes in the assumptions used to estimate liabilities	-51.6	7.8
-170.4	**Balance on 31 March**	**-165.9**	

On 31 March 2005 £ millions	Reconciliation of total movement in the Fire Pensions Reserve	On 31 March 2006 £ millions	% of assets or liabilities
-107.4	Balance as at 1 April	-132.9	
-5.4	Transfer from or to (-) revenue	-7.2	
	Actuarial gain or loss:		
0.0	- difference between actual and expected return on assets	0.0	0.0
8.5	- difference between assumptions and actual experience on liabilities	-4.7	2.8
-28.6	- changes in the assumptions used to estimate liabilities	-24.1	14.3
-132.9	**Balance on 31 March**	**-168.9**	

On 31 March 2005 £ million	Reconciliation of total movement in the Teachers' Discretionary Benefits Reserve	On 31 March 2006 £ million	% of assets or liabilities
-31.6	Balance as at 1 April	-36.7	
-1.1	Transfer from or to (-) revenue	-1.9	
	Actuarial gain or loss:		
0.0	- difference between actual and expected return on assets	0.0	0.0
0.0	- difference between assumptions and actual experience on liabilities	0.0	0.0
-4.0	- changes in the assumptions used to estimate liabilities	-1.8	4.5
-36.7	**Balance on 31 March**	**-40.4**	

-340.0	**Balance on 31 March**	**-375.2**	

Magistrates Courts left the authority on 1st April 2005 and have therefore been removed from the LGPS pensions reserve as at that date. This reduced the shortfall by £3.3 million.

The following table shows the comparative actuarial gains and losses for each of the funds from 2003/2004 when FRS 17 was applied to our accounts.

	2003/2004		2004/2005		2005/2006	
	£ millions	%	£ millions	%	£ millions	%
LGPS						
- Difference between actual and expected return on assets	53.0	14.7%	9.7	2.4%	67.6	13.6%
- Difference between assumptions and actual experience on liabilities	0.0	0.0%	-10.8	1.9%	-15.0	-2.3%
- Changes in assumptions used to estimate liabilities	0.0	0.0%	-96.7	16.9%	-51.6	-7.8%
LGPS Total	**53.0**		**-97.8**		**1.0**	
Fire						
- Difference between actual and expected return on assets	0.0	0.0	0.0	0.0	0.0	0.0
- Difference between assumptions and actual experience on liabilities	-8.6	0.1	8.5	6.4	-4.7	2.8
- Changes in assumptions used to estimate liabilities	-15.8	0.2	-28.6	21.5	-24.1	14.3
Fire Total	**-24.4**		**-20.1**		**-28.8**	
Teachers						
- Difference between actual and expected return on assets	0.0	0.0	0.0	0.0	0.0	0.0
- Difference between assumptions and actual experience on liabilities	0.0	0.0	0.0	0.0	0.0	0.0
- Changes in assumptions used to estimate liabilities	0.0	0.0	-4.0	0.1	-1.8	0.0
Teachers Total	**0.0**		**-4.0**		**-1.8**	

Cash-flow statement

This section shows our income and spending for the year.

Year ended 31 March 2005 £ millions	Cash-flow	Year ended 31 March 2006 £ millions
	Revenue activities	
	Payments we made	
374.1	~ cash paid to staff	376.7
245.7	~ other costs	283.5
	Money we received	
-310.0	~ income from Precepts and Business Rates pool	-346.2
-155.1	~ Government Revenue Support Grant	-147.2
-103.2	~ government-specific grant	-103.0
-83.2	~ cash received for goods and services	-94.2
-31.7	**Total revenue activities cash-flow**	**-30.4**
	Servicing finance	
	Payments we made	
12.3	~ interest paid	13.7
	Money we received	
-3.5	~ interest earned on cash balances	-3.7
8.8	**Total servicing finance cash-flow**	**10.0**
	Capital activities	
	Payments we made	
69.2	~ buying assets	66.2
	Money we received	
-3.2	~ selling assets	-4.2
-30.6	~ capital grants and other contributions	-40.4
-0.1	~ long-term debts repaid	-0.5
0.0	~ other income	0.0
35.3	**Total capital activities cash-flow**	**21.1**
12.4	**Cash-flow before financing**	**0.7**
17.9	**Movement in short-term investments**	**30.6**
	Financing	
	Payments we made	
2.6	~ repaying money we have borrowed	0.2
	Money we received	
-32.3	~ new loans we have taken out	-31.7
0.6	**Increase or decrease in cash**	**-0.2**

Cash we received is shown as a negative number. There was an increase of £0.2 million in cash in the year ending 31 March 2006.

Notes to the cash-flow statement

Note 1 Reconciliation of revenue cash-flow

Year ended 31 March 2005 £ millions	Reconciliation of cash-flow	Year ended 31 March 2006 £ millions
461.1	**Amount to be met from government grants and local taxpayers**	492.1
	add	
180.6	~ service income	191.6
4.5	~ trading income	4.8
3.5	~ interest on cash balances	3.7
4.0	~ surplus or (-loss) for the year	1.3
653.7	**Total revenue spending**	693.5
	less	
-12.3	~ interest paid	-13.7
-11.5	~ contributions to provisions and reserves	-4.6
-5.3	~ contributions to capital spending	-6.5
-6.7	~ provision for repayment of debt	-7.6
1.9	increase or decrease in money we owe	-3.9
0.0	increase or decrease in stock and work that is not finished	-0.2
0.0	increase/(decrease) landfill allowances asset account	3.2
619.8		660.2
-653.7	**Revenue income**	-693.5
	less	
3.5	~ interest earned on cash balances	3.7
0.0	~ contributions from provisions and funds	0.0
-1.3	increase or decrease in money owed to us	-0.8
-651.5		-690.6
-31.7	**Revenue activities net cash-flow**	**-30.4**

Note 2 Changes in cash and cash assets

Movement in cash and cash assets	On 31 March 2005 £ millions	On 31 March 2006 £ millions	Movement £ millions
Cash overdrawn or in the bank	1.5	1.7	0.2
Short-term investments	79.5	110.1	30.6
Net cash inflow	**81.0**	**111.8**	**30.8**

Note 3 Changes in other current assets and liabilities

Changes in current assets and liabilities (This does not include capital debtors and creditors included in the Consolidated Balance Sheet)	On 31 March 2005 £ millions	On 31 March 2006 £ millions	Movement £ millions
Prepayments and money owed by debtors	29.5	28.7	-0.8
Money we owe to creditors	-43.6	-47.5	-3.9
Stocks and stores	0.8	0.6	-0.2
Landfill allowances asset account	0.0	3.2	3.2
Net movement	**-13.3**	**-15.0**	**-1.7**

Note 4 Changes in long-term borrowing

Changes in long-term borrowing	On 31 March 2005 £ millions	On 31 March 2006 £ millions	Movement £ millions
Changes in our long-term borrowing	-207.9	-239.4	-31.5
Net movement	**-207.9**	**-239.4**	**-31.5**

Note 5 Specific government grants

The table below shows specific grants the Government gives us to help us pay for our services.

Specific government grants	Actual income 2005/2006 £ millions
The Standards Fund	15.6
Threshold Payments	9.3
Early Years grant	4.8
Learning Skills grant	21.9
DfES school-related grant	9.6
Other education grants	2.1
Rural bus subsidy, development and partnerships	1.4
Casualty Reduction	1.6
Other planning, transport and economic strategy grants	2.2
Mental illness	1.1
Children's grant	0.5
Asylum seekers	0.8
Supporting People	9.5
Preserved rights	3.7
Assessment capacity and building capacity	5.7
Other social services grants	7.3
Local Authority Business Grown Initiative Grant	0.5
Reducing Youth Offending Generic National Solution	0.2
Landfill Allowances grant income	3.2
Other grants including sheltered placements and emergency planning	2.0
Total specific government grants	**103.0**

Capital summary

This section lists the larger items of capital spending on assets in 2005/2006.

Capital summary	Spending in 2005/2006 £ millions
Education	
~ Nuneaton - building Oak Wood Special School	4.0
~ Merging of two schools to form Alcester, St. Nicholas School	2.0
~ Warwick, Myton school - four court sports hall	1.8
~ Alcester Grammar school - teaching block and sports hall	1.7
~ Nuneaton, Alderman Smith School - four court sports hall	1.7
~ Construction of Woodlands School at Coleshill (formerly Blythe SEN School	1.3
~ Rugby, Avon Valley School - rebuilding and expansion	1.2
~ Nuneaton, Camp Hill - community buildings project	0.9
~ Provision of special educational needs accommodation on the site of the former Dormer Hall, North Leamington School.	0.7
~ Southam College basic need project - phase 2	0.7
~ Nuneaton, St Paul's School - provision of four classroom block	0.7
~ Atherstone Nursery School and parents' centre	0.7
~ Southam Community Infants School - modernisation	0.6
~ Projects funded from government modernisation grant (fully or partly)	3.4
~ Various basic needs projects	1.3
~ School projects funded from government grants	5.3
~ School projects funded from other grants and contributions	1.3
~ Provision of children's centres	0.7
~ Various schools - access initiative schemes	0.5
~ Minor work at various schools	0.2
~ Other spending	1.7
Planning, transport and economic strategy	
~ Barford By-pass (A429)	1.2
~ Coleshill multi-modal interchange - phase 1	0.7
~ Other major transport projects	0.2
~ Structural work to maintain roads	6.7
~ Strengthening, maintaining and assessing bridges	1.5
~ Transport Schemes funded by developers	0.7
~ Stratford , Bishopton Lane park-and-ride scheme	2.3
~ Leamington Spa - improvements to the Parade	2.5
~ Improving safety and reducing the number of accidents	
- improvements to encourage people to cycle and walk	0.8
- casualty reduction schemes	0.8
- safer routes to schools	0.5
~ Traffic management schemes	0.9
~ Public transport schemes	0.6
~ Other transport schemes	0.1
~ Nuneaton, access roads to industrial land at Camp Hill	0.4
(Continued over the page.)	

Capital summary	Spending in 2005/2006 £ millions
~ Sir Frank Whittle Business Centre - phase 3	0.8
~ Improving the economic wellbeing of communities	1.2
~ Other spending, including vehicles and equipment	1.1
Libraries, heritage and trading standards	
~ Alcester Library - refurbishment	0.2
~ Minor work projects	0.3
Fire and rescue service	
~ Buying vehicles and equipment	0.9
~ Other spending, including vehicles and equipment	0.1
Social services	
~ Improvements to buildings	0.5
~ Buying vehicles and equipment	0.9
~ IT improvements and service modernisation	0.3
~ Other spending	0.4
Other services	
~ E-government infrastructure (systems)	1.1
~ Boiler replacement, rewiring of building, asbestos treatment etc.	1.3
~ Structural maintenance of buildings	1.2
~ Access to buildings for disabled people	0.8
~ Provision of office accommodation	0.5
~ Other spending	0.2
Total	**64.1**

For 2004/2005 our capital spending was £75.9 million.

Statement of responsibilities for the statement of accounts

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

Our responsibilities

We must do the following.

~ Make sure that one of our officers is responsible for managing our financial affairs. In this council, the Strategic Director, Resources is responsible for doing this.

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

~ Approve the statement of accounts.

The Strategic Director, Resources' responsibilities

As the Strategic Director, Resources, I am responsible for preparing our statement of accounts. These accounts must present our financial position fairly, including our income and spending for the year.

In preparing both our statement of accounts and the Pension Fund, I have:

~ selected suitable accounting policies and applied them consistently;

~ made reasonable and sensible judgements and estimates; and

~ followed the Chartered Institute of Public Finance and Accountancy's code of practice on 'local authority accounting in Great Britain'.

I have also:

~ kept proper accounting records which are up to date; and

~ taken steps to prevent and detect fraud, including preparing an audit risk management strategy.

David Clarke
Strategic Director, Resources **Date: 27 June 2006**

I confirm that the accounts were considered and approved at a meeting of the Council on 27 June 2006.

Councillor Chris Davis **Date: 27 June 2006**
Chair of the County Council

The pension fund

This section summarises the accounts of our pension fund. We use this fund to pay former employees their pensions and other benefits when they retire.

Fund Account

Dealings with members, employers and others directly involved in the scheme.

2004/2005 £ millions	Revenue account	2005/2006 £ millions
	Income to the fund	
	Contributions receivable:	
-23.7	From employers	-27.4
-12.0	From employees	-12.6
-7.5	Individual transfers in from other schemes	-11.8
-43.2	**Income to the fund**	**-51.8**
	Spending by the fund	
	Benefits to be paid:	
25.8	Pension payments	27.4
4.2	Commutation of pensions and lump sum retirement benefits	5.2
0.5	Lump-sum death benefits	0.6
	Payments to and on account of leavers	
0.2	Refunds of contributions to people who leave the scheme	0.2
6.9	Individual transfers out of the scheme	7.9
1.1	**Administration expenses borne by the scheme**	1.1
38.7	**Spending by the fund**	**42.4**
-4.5	**Net additions from dealing with members**	**-9.4**
	Return on investments:	
-3.7	Interest from fixed interest securities/bonds	0.0
-14.1	Dividends from equities	-14.2
0.0	Income from pooled investment vehicles	-0.1
-1.1	Interest on cash deposits	-0.8
	Change in market value of investments:	
-21.4	Realised profit (-) or loss on sales	-52.4
-31.4	Unrealised profit (-) or loss on investments	-127.8
	Taxation	
0.0	Irrecoverable withholding tax	1.3
2.1	**Investment management expenses**	2.4
-69.6	**Net returns on investments**	**-191.6**
-74.1	**Net increase in funding during the year**	**-201.0**

2004/2005 £ millions	Pension fund net assets	2005/2006 £ millions
74.1	Net increase in funding during the year	201.0
670.1	Add: Opening net assets of the scheme	744.2
744.2	**Net assets at the end of the year**	**945.2**

As at 31 March 2005 £ millions (Restated)	Net assets statement	As at 31 March 2006 £ millions
	Investments (market value)	
3.1	Fixed-interest securities	2.3
446.2	Stocks and shares	588.4
2.8	Unit trusts	4.3
275.3	Managed funds	325.7
7.7	Cash and deposits	6.1
1.1	Other investments	2.8
736.2		**929.6**
	Current assets and liabilities	
7.8	Cash	15.4
1.1	Debtors	1.2
-0.9	Creditors	-1.0
8.0		15.6
744.2	**Net assets at the end of the year**	**945.2**

The balances for stocks and shares and managed funds at 31 March 2005 have been restated to take account of a misstatement between the two categories of investments in 2004/2005 of £0.4 million.

Notes

1 Operations and membership

We administer the statutory Warwickshire Local Government Pension Fund (a defined benefit scheme set up under the Local Government Pension Scheme Regulations 1997). The fund is open to the employees of the county council, the five district and borough councils and 56 other organisations. You can find a list of scheduled and admitted bodies on page 68. The fund does not cover teachers, police officers or firefighters as these staff have different pension arrangements. The Pension Fund Investment Board is responsible for managing the pension fund. The board is made up of five county councillors. Two specialist advisors provide advice and guidance to the board as well as the Strategic Director, Resources and his staff.

As at 31 March 2005	Membership	As at 31 March 2006
13,508	Number of members contributing to the fund	13,754
6,994	Number of pensioners paid by the fund	7,249
5,793	Number of ex-members whose pension rights are 'frozen' until they retire	5,510

2 Accounting policies

The accounts of the pension fund contain the information set out in the Code of Practice for Local Authority Accounting and the Statement of Recommended Practice 2005 (Local Government SORP). The Local Government SORP says the accounts must keep to the SORP Financial Reports of Pension Schemes (the Pensions SORP). As a result, the accounting policies set out on pages 11 to 17 and 61 to 63 are consistent with the Pensions SORP. The accounts give a summary of the transactions and net assets of the fund. They do not take account of the liability to pay pensions and other benefits in the future. This is dealt with by the actuary's valuation every three years. The pension fund does not form part of our consolidated accounts.

a How we have prepared these accounts

We have prepared the financial statements on an 'accruals basis'. This means that we show income and spending as we earn or agree to spend it, not as we actually receive or pay it. We have used the following accounting policies, which we have applied consistently when preparing the financial statements.

b Valuing investments

We value stocks and shares traded through the Stock Exchange Electronic Trading Service (SETS) based on the latest mid-market price. We value other quoted investments based on the mid-market value quoted on the relevant stock market.

We value pooled investments at the average of the 'bid' and 'offer' price provided by the relevant fund manager. This reflects the market value of the underlying investments. The bid-offer spread is the difference between the price at which stocks and shares can be sold (bid price) and bought (offer price).

The fund managers value unquoted securities at the end of the financial year in line with generally accepted guidelines.

The value of fixed-interest investments in the scheme's investment portfolio does not include interest earned but not paid over at the end of the financial year. We include this separately.

Property investments are not held by the pension fund.

We include acquisition costs in the purchase costs of investments.

c Investment income

We account for income from stocks and shares on the date shares are quoted 'ex-dividend'. Income from overseas investments is recorded after any withholding tax has been taken off if we cannot get this back.

We account for income from fixed-interest and index-linked securities, cash, short-term deposits and other investments on an accruals basis.

The change in the market value of investments during the year includes all increases and decreases in the market value of investments held at any time during the year. This includes profits and losses on selling investments and unrealised changes in market value.

d Foreign currencies

If there are forward exchange contracts in place for assets and liabilities in foreign currencies, we have used the contract rate. Other assets and liabilities in foreign currencies are shown in sterling at the rate of exchange at the end of the financial year. We translate income from overseas investments into sterling at an average rate for the period in which we received it.

We deal with gains and losses arising from converting currencies as part of the change to the market value of investments.

e Contributions

We account for normal contributions from members and employers in the payroll month they relate to, at rates set out in the rates and adjustments certificate. We account for extra contributions from employers in line with the agreement under which they are paid or, if there is no agreement, when we receive them.

f Benefits due to be paid

Under the rules of the scheme, members receive a lump-sum retirement grant on top of their yearly pension. We account for lump-sum retirement grants from the date members retire. If a member can choose whether to take a greater retirement grant in return for a reduced pension, we account for these amounts on an accruals basis from the date the member takes this option.

We account for other benefits on the date the member leaves the plan or dies.

g Transfer to and from other schemes

Transfer values relate to amounts we receive from other pension funds for new members or we pay to other pension schemes for members who have left the fund.

h Other expenses

We account for administration and investment management expenses on an accruals basis. These expenses do not include any VAT that can be recovered.

We have worked out our fund manager fees in line with the appropriate contract and the associated contract agreement as follows.

Fund manager	Mandate	Negotiated fee

State Street Global Advisers	UK stocks and shares	Percentage of the fund
Threadneedle Investments	UK stocks and shares	Percentage of the fund
UBS Global Asset Management	Global stocks and shares	Percentage of the fund
MFS Investment Management	Global stocks and shares	Percentage of the fund
UBS Global Asset Management	Fixed income	Percentage of the fund
Barclays Global Investors	Passive index tracker	Percentage of the fund
Hendersons Global Investors (old mandate)	Active Balanced	Percentage of the fund

3 Actuarial valuation

The purpose of an actuarial valuation, which must be carried out every three years by law, is to assess the ability of the fund to meet its long-term liabilities. The actuary assesses the future growth in the value of the fund, and the future liability to pay pensions to current and former employees. The difference between projected assets and liabilities sets the amount employers must contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities. At the 31 March 2004 actuarial valuation, the actuary decided that the funding level was at 82%. A revised schedule of employers' contribution rates came into force from 1 April 2005. The major reason for the fall in the funding level is the poor performance of investment returns against assumptions, over the years following the March 2001 valuation.

During 2005/2006, we paid employers' contributions at a rate of 11.7%. The district and borough councils paid employers' contributions at rates ranging between 10.0% and 11.8%.

The assumptions used for the March 2004 actuarial valuation were as follows.

Actuarial valuation	Past service % a year	Future service % a year
Rate of return on investments - before retirement	7.10%	6.50%
Rate of return on investments - after retirement	5.60%	6.50%
Salary and earnings increases	4.55%	4.25%
Rate of increase in pensions	2.80%	2.50%

The fund is valued using the projected unit method which is consistent with the aim of achieving the 100% funding level described above. At the 31 March 2004 actuarial valuation, the fund's assets were valued at £670.1 million.

4 Fund manager holdings

2004/2005 £ millions	%	Market value of external investments	2005/2006 £ millions	%
0.2	0.0	Henderson Global Investors	0.2	0.0
0.0	0.0	UBS Global Asset management	0.0	0.0
122.1	16.6	State Street Global Advisers (UK Equities)	159.3	17.1
118.6	16.1	Threadneedle Investments (UK Equities)	156.7	16.9
114.4	15.5	UBS Global Asset Management (Global Equities)	151.1	16.3
110.9	15.1	MFS Investment Management (Global Equities)	144.2	15.5
109.4	14.9	UBS Global Asset Management (Fixed Interest)	117.9	12.7
160.6	21.8	Barclays Global Investors (Index Tracker)	200.2	21.5
736.2	**100.0**	**Total**	**929.6**	**100.0**

5 Investments

	Value 1 April 2005 (Restated) £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Increase in debtors or (creditors) £ millions	Value 31 March 2006 £ millions
Fixed-interest securities	3.1	0.0	0.0	-0.5	-0.3	0.0	2.3
Stocks and shares	446.2	377.0	-361.9	51.9	75.2	0.0	588.4
Managed funds	278.1	0.1	-2.0	0.9	52.9	0.0	330.0
Cash and deposits	7.7	111.6	-113.3	0.1	0.0	0.0	6.1
Other investments	1.1	0.0	0.0	0.0	0.0	1.7	2.8
Total	**736.2**	**488.7**	**-477.2**	**52.4**	**127.8**	**1.7**	**929.6**

The opening balances for stocks and shares and managed funds have been restated to take account of a misstatement between the two categories of investments in 2004/2005 of £0.4 million.

The change in market value of investments during the year includes all increases and reductions in the market value of investments held at any time during the year, including profits and losses made when selling investments during the year.

2004/2005 £ millions (Restated)		2005/2006 £ millions
	Fixed-interest securities	
0.0	UK public sector	0.0
2.2	UK other	2.3
0.0	Overseas public sector	0.0
0.9	Overseas other	0.0
3.1		**2.3**
	Stocks and shares	
265.2	UK quoted	322.4
181.0	Overseas quoted	266.0
446.2		**588.4**
	Index-linked securities	
0.0	UK quoted	0.0
0.0	Overseas quoted	0.0
0.0		**0.0**
	Managed funds	
2.8	Unit trusts - other	4.3
182.6	Managed Funds	202.1
92.7	Unitised insurance policies	123.6
278.1		**330.0**
	Cash and deposits	
6.3	Sterling	3.6
1.4	Foreign currency	2.5
7.7		**6.1**
	Other investments	
7.6	Debtors	6.2
-6.5	Creditors	-3.4
1.1		**2.8**

The opening balances for stocks and shares and managed funds have been restated to take account of a misstatement between the two categories of investments in 2004/2005 of £0.4 million.

6 Contributions and benefits

2004/2005 £ millions	Contributions we receive	2005/2006 £ millions
	Administering authority	
12.9	~ From employers	15.7
6.9	~ From employees	7.4
19.8		23.1
	Scheduled bodies	
9.4	~ From employers	10.2
4.5	~ From employees	4.6
13.9		14.8
	Admitted bodies	
1.4	~ From employers	1.4
0.6	~ From employees	0.6
2.0		2.0
	Non - scheduled bodies	
0.0	~ From employers	0.1
0.0	~ From employees	0.0
0.0		0.1
35.7	**Total**	**40.0**

The total contributions we received from employers was £27.4 million (£23.7 million in 2004/2005) and £12.6 million (£12.0 million in 2004/2005) from employees.

Employees' contributions during the year included payments of £0.2 million to buy added years (£0.2 million in 2004/2005).

Employers' contributions during the year included £2.0 million received from employers for compensation to the fund for those retiring early and being made redundant (£0.9 million in 2004/2005).

2004/2005 £ millions	Benefits to be paid	2005/2006 £ millions
	Administering authority	
16.3	~ Pension paid (including lump sums)	17.9
4.1	~ Transfers out	4.7
20.4		22.6
	Scheduled bodies	
13.0	~ Pension paid (including lump sums)	13.9
2.4	~ Transfers out	2.6
15.4		16.5
	Admitted bodies	
1.2	~ Pension paid (including lump sums)	1.2
0.4	~ Transfers out	0.6
1.6		1.8
	Non - scheduled bodies	
0.0	~ Pension paid (including lump sums)	0.2
0.0	~ Transfers out	0.0
0.0		0.2
37.4	**Total**	**41.1**

The total pensions paid out (including lump sums) was £33.2 million (£30.5 million in 2004/2005) and the total transfers out was £7.9 million (£6.9 million in 2004/2005).

7 Statement of investment principles

The Investment Board approved a statement of investment principles on 22 November 2004. You can get a copy by writing to the Resources Directorate, PO Box 3, Shire Hall, Warwick CV34 4RH or from the website.

You can view the pension fund website at www. warwickshire.gov.uk/pensions.

8 Organisations contributing to the fund

Scheduled bodies

Atherstone Town Council
Beaudesert and Henley-in-Arden Joint Parish Council
Bidford upon Avon Parish Council
Coleshill Town Council
King Edward IV College, Nuneaton
Lapworth Parish Council
Long Itchington Parish Council
North Warwickshire and Hinckley College
North Warwickshire Borough Council
Nuneaton and Bedworth Borough Council
Rugby Borough Council
Ryton on Dunsmore Parish Council
Royal Leamington Spa Town Council
Southam Town Council
Stratford-on-Avon District Council
Stratford-upon-Avon College
Stratford-upon-Avon Town Council
Warwick District Council
Warwickshire College
Warwickshire County Council
Warwickshire Police Authority
Warwickshire Probation Service
Warwickshire Valuation Tribunal
Wellesbourne Parish Council
Whitnash Town Council

Admitted bodies

Bedworth and District Citizens Advice Bureau
Carillion Highways Maintenance
Heart of England Housing and Care Ltd
Heart of England Housing Group Ltd
Mid Warwickshire MENCAP
North Warwickshire Citizens Advice Bureau
North Warwickshire Council for Voluntary Service
Nuneaton and Bedworth Leisure Trust
Nuneaton and Bedworth Council for Voluntary Service
Nuneaton Citizens Advice Bureau
Rugby Citizens Advice Bureau
Rugby Council for Voluntary Service
Rugby MENCAP Hostels
Rugby MIND and Rugby Mental Health Association
Rugby Town Centre Company Limited
Solihull School
South Warwickshire Housing Association Ltd
South Warwickshire Tourism Ltd
Stratford and District MENCAP
Stratford-upon-Avon Council for Voluntary Service
Stratford-upon-Avon Citizens Advice Bureau
Stratford-upon-Avon Town Trust Co Ltd
The Rowan Organisation
Warwick District Citizens Advice Bureau
Warwick District Racial Equality Council
Warwick Schools
Warwickshire Association for the Blind
Warwickshire Care Services Ltd
Warwickshire Welfare Rights Service
Westfield Community Development Association
UK Youth (National Association of Youth Clubs)

Other admitted bodies with pensioners but no pensionable employees

Remnant Water Authority
People in Action
Severn Trent Water Plc
Solihull Metropolitan Borough Council
St Paul's College
Nuneaton Mencap

9 Bulk transfer out of the fund

The Magistrates' Courts left the county council to join the Civil Service on 1 April 2005. The pension fund will keep all the pensions benefits for employees of Magistrates' Courts in the pension fund and we expect to make a bulk transfer in the future. We do not yet know the timing and amount of the transfer. The fund's actuaries and the Government's actuaries are currently working on the details.

10 Additional voluntary contributions

In 2005/2006, some members of the pension scheme paid voluntary contributions to Equitable Life and Standard Life to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include the assets held by Equitable Life or Standard Life, which were valued at £1.3 million in Equitable Life, and £2.0 million in Standard Life on 31 March 2006. The pension fund accounts also do not include additional voluntary contributions.

11 Other disclosures

There were no material related party transactions during the year.

The fund commenced a programme of stock lending in August 2005 through its custodian banker ABN AMRO Mellon. At 31 March 2006 the fund had stock valued at £61.3 million which was lent out to third parties.

A total income of £21,000 was generated up to 31 March 2006.

The fund does not hold any property.

The fund currently has no external borrowing.

During the year 2005/2006 the pension fund paid refunds of contributions to employees of £119,000 net of tax. A refund of £62,000 was also paid to the State Earnings Related Pension Scheme (SERPS).

During the year 2005/2006 the fund earned £11,000 in interest from fixed interest securities.

12 Investment performance

Investment performance	Our pension fund %	WCC Benchmark %
Yearly return on investments for 2005/2006	26.3%	25.7%

As part of restructuring the pension fund, we set new specialist benchmarks (standards to measure performance against) for the fund. Overall in the financial year 2005/2006, the fund had a return of 26.3% compared with the fund's specific benchmark of 25.7%.

13 Contingent liability

It is anticipated that a contingent liability of £0.4 million will be required to cover any possible refunds due to former members of the Local Government Pension Scheme (LGPS) run by Warwickshire County Council (the Pension Fund) that we have lost contact with. If a member leaves the scheme within two years of joining, they are entitled to a refund of any contributions they may have made into the Pension Fund during that period. The refund will also include an appropriate amount of interest. The Pension Fund is continuing to try and contact with these former members to arrange to pay refunds to them.

Glossary

This section explains complicated terms that have been used in this document.

Accruals

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

Admitted body

An admitted body is an organisation which can join (be admitted to) the Local Government Pension Scheme (LGPS) if the authority that manages it agrees. The organisation must be non-profit-making and will normally be receiving a grant from either central or local government.

Actuarial gain (loss)

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

Agency

Where one authority (the main authority) pays another authority (the agent) to do work for them.

Amortisation

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

Asset

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

Asset Management Revenue Account

This account records capital charges made into service revenue accounts, and other capital accounting entries, so there is no cost to the taxpayer.

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.

Best Value

Under the Local Government Act 1999, local authorities must constantly aim to improve their services, and they must review all their functions within a five-year period ending on 31 March 2005. Best Value gives local authorities a duty to provide local people with high-quality and efficient services.

Billing authority

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

Budget

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

Business rates (National Non-Domestic Rates – NNDR)

Businesses pay these rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority. Business rates are pooled nationally and a share is given back to local authorities based on the number of people living in the area. The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

The Capital Fund

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

Capital Financing Account

This account includes money we have set aside from day-to-day spending to use for capital spending or to repay loans.

Capital programme

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

Capital receipts

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

Capital spending

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

Capital spending charged to revenue

Paying for capital spending direct from revenue.

Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

Central departments

Departments which provide support (for example, legal advice) to departments which deal with the public.

CIPFA

Chartered Institute of Public Finance and Accountancy.

Competitive tendering

When trading units from inside the council compete for our business with other organisations (the public sector). The Government can insist we do this (compulsory competitive tendering) or it can be something we choose to do (voluntary competitive tendering).

Corporate and democratic core costs

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

Council Tax

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

Creditors

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

Current assets

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

Current liabilities

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

Current service cost

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

Current spending

The yearly running costs of local authorities, not including specific grants and the cost of buying our assets.

Curtailment costs

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

Debtors

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

Deferred charges (intangible assets)

Spending on assets that have a lasting value, for example, land and buildings, which we do not own.

Depreciation

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

Disclosure

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

Earmarked reserves

Money set aside for a specific purpose.

Financial Reporting Standard (FRS)

Recommendations on the way we need to treat certain items in our accounts.

Fixed Asset Restatement Account

This account contains the difference between the values of our assets under the previous valuation system based on historical cost and more recent revaluations.

General reserves

Money set aside to be used in the future.

Government grants

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

Government Grants Deferred Account

The amount of money given to us to spend on assets that have a lasting value, for example, land and buildings. This amount is reduced each year as the value of the asset reduces due to wear and tear.

Gross spending

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

Index tracker

A range of investments that aims to provide the same return as that of a chosen market index, for example, the FTSE Index.

Liabilities

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

Loss

The amount left over when expenses are higher than all income received.

Material related-party transactions

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

Minimum revenue provision (MRP)

The amount we have to set aside to repay loans.

Net asset value

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

Net book value

The value of an asset after depreciation.

Net interest cost

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

Net spending

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

Non-distributed costs

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

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

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

Overheads

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

Past service costs

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

Pensions interest cost and expected return on assets

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

Precept

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

Provisions

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

Provision for credit liabilities

Money set aside to repay debts or to cover spending which we have borrowed money for. This forms part of the Capital Financing Account.

Public service agreement

An agreement made between a local authority and central government containing a set of agreed targets for improving services. If we meet the targets in our public service agreement, we will receive more funding from central government.

The PWLB

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

Recharges

Charges for services that we have provided.

Reconciliation

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

Regeneration

Breathing new life into the local economy.

Reimbursements

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

Reserves and funds

Savings we have built up from surpluses.

Restated

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

Return on assets

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

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 Support Grant

The main government grant to support local-authority services.

Scheduled bodies

A scheduled body is an organisation which either must join the Local Government Pension Scheme (LGPS) by law or, in the case of parish councils, has a legal right to do so.

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 the Government to cover local-authority spending on a particular service or project (for example, schools’ grants). Specific grants are usually a fixed percentage of the cost of a service or project.

Statement of standard accounting practice (SSAP)

Recommendations on the way we need to treat certain items in our accounts.

Stock and stores

Goods bought which have not been used.

Surplus

The remainder after taking away all expenses from income.

Trust fund

Money that does not belong to us but is managed by us for the owners of the money.

Unapportionable central overheads

Costs that do not relate to a single service or services, and so are held centrally.

Unrealised

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

Underwriting

When shares are issued on the stock market, an investment manager can earn fees by agreeing to buy shares at a certain price if the demand for the shares is poor.

Virtual bank

A fund for self-financing projects.

Plain English Campaign's Crystal Mark does not apply to this statement on internal control.

Warwickshire County Council Statement on internal control

Scope of Responsibility

Warwickshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Warwickshire County Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Warwickshire County Council is also responsible for ensuring that there is a sound system of internal control which facilities the effective exercise of Warwickshire County Council's functions and which includes arrangements for the management of risk.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwickshire County Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control outlined below has been in place at Warwickshire County Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

The Internal Control Environment

The Authority's internal control environment comprises the following elements:

- ***Establishing and monitoring the achievements of the Authority's objectives***

The Council's objectives are developed and reviewed as part of the business planning process, which includes consultation with stakeholders and the public. The objectives are set out clearly in the Corporate Business Plan. Medium term priority outcomes are identified for each objective and headline indicators. They are explicitly reflected in departmental business plans and other specific strategies and plans.

Progress against these objectives is regularly monitored by the Authority via the performance monitoring process. There are formal performance reports to Cabinet and Overview and Scrutiny Committees every 6 months, which include comparisons with national performance indicators.

Scrutiny arrangements are well established. Each Overview and Scrutiny Committee agrees an annual programme of reviews, which has performance improvement at the core of its purpose. The programme of reviews is developed in conjunction with the preparation of the Corporate Business Plan to ensure policy and performance management are integrated. Dedicated resource to carry out reviews has been created.

- ***The facilitation of policy and decision making***

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the role of full Council, the Executive, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. The Forward Plan of Key Decisions is published on the Council's web site.

The Authority has agreed a Corporate Governance Code of Practice and a programme of governance training for officers. A Corporate Governance Audit takes place biennially and an action plan is agreed by members to address any areas for improvement. The last governance review took place in 2005/2006.

- ***Ensuring compliance with established policies, procedures, laws and regulations including how risk management is embedded in the activity of the Authority***

Key roles in relation to ensuring compliance with policies, procedures, laws and regulations roles are performed by the Authority's Monitoring Officer and the Section 151 Officer.

The Monitoring Officer has put in place arrangements to ensure that all reports to member bodies are checked by qualified lawyers within the Authority to ensure compliance with legislation and corporate policies and procedures. All member bodies are supported by a legal advisor to ensure there is appropriate advice at meetings of the Authority. In addition the Monitoring Officer receives weekly briefings from the senior lawyers of the Authority highlighting if there are any

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

The Monitoring Officer with the Section 151 Officer also commissions the biennial Corporate Governance Audit and annual Contract Standing Orders compliance audits.

The Strategic Director, Resources, as the nominated Section 151 Officer, has delegated responsibility for ensuring there are arrangements in place for the proper administration of financial affairs and that there is an adequate Internal Audit function. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. A summary of audit work is reported to the Audit and Standards Committee, which has responsibility for oversight of probity and audit issues and meets regularly. In addition, External Audit and external inspection agencies such as Ofsted contribute to the review of the Authority's compliance with its policies, procedures, laws and regulations.

A risk management framework has been developed. Strategic risks are reviewed annually and incorporated in the Corporate Business Plan. All departments have risk registers. The Council's insurances are reviewed annually.

- ***Ensuring the economical, effective and efficient use of resources, and securing continuous improvement***

The Authority has a budget and policy framework, which sets out how budget and policy decisions are made. The budget process establishes the resources required to deliver the Authority's services and objectives. It involves a review of the overall use of resources and sets out a medium term financial strategy. Within the medium term financial strategy services are required to deliver improvements in cost effectiveness and on an annual basis members set cash backed efficiency targets for individual services. Relevant prudential indicators are approved by Council as part of the budget resolution.

A structured approach to procurement and contract letting is set out in Financial Standing Orders and Contract Standing Orders. A Procurement Code of Practice provides further guidance to managers to ensure best value is considered in all purchasing activity.

Best value and scrutiny reviews are conducted and the Authority's Performance Plan is produced in compliance with annual Best Value requirements.

The EFQM model is used as a tool to drive continuous improvement across all services.

- ***The financial management of the Authority and the reporting of financial management***

The Strategic Director, Resources, as the nominated Section 151 Officer, is responsible for ensuring that an effective system of internal financial control is developed, maintained and operated over the Authority's resources.

The system of internal financial control is based upon a structure of delegation and accountability set out in the Constitution, Financial Standing Orders and Contract Standing Orders. Budgets and budgetary responsibility are assigned to individual managers. In particular the system includes:

- a budget process integrally linked with the overall planning process within an agreed medium term financial plan;
- targets to measure financial and other performance;
- regular financial reports which show forecast spending against budgets;
- clearly defined cost centre management arrangements; and
- clearly defined capital spending guidelines.

Elected members receive financial information, which is relevant, understandable and consistent with underlying financial records. During 2005/2006 formal quarterly forecasts of revenue spending were presented to members and the capital programme was reviewed and reported three times. Financial reserves are kept under review and subject to a formal risk assessment as part of the budget process. An anti-fraud and anti-corruption policy and whistle blowing code are in place. A Treasury Management policy has been adopted and approved by Council. The Authority prepares its accounts in accordance with best professional guidance and complies with the statutory timetable for publication.

- ***The performance management of the Authority and the reporting of performance management.***

Warwickshire's approach to performance management is set out in its Performance Management Framework. The Authority has an explicit vision and set of values underpinning its agreed six strategic objectives. The Authority's Corporate Business Plan reflects national and local priorities and contains targets to be met in achieving its objectives, along with associated corporate performance indicators.

The achievement of targets is regularly monitored through a range of methods including reporting of performance against targets on a six-monthly basis to Overview and Scrutiny Committees and the Cabinet.

Review of Effectiveness

Warwickshire County Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Throughout 2005/2006 the Authority has maintained and reviewed its system of internal control in a number of ways.

- The structure of the organisation has been reviewed and a new structure implemented from April 2006.

- Overview and Scrutiny Committees have carried out a programme of reviews.

- Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. These reviews included opinions on the internal controls in place a summary of audit work was reported to the Standards Committee. These individual reviews fed into the overall Annual Review by the Audit and Risk Manager of the effectiveness of internal control.

- A further review of internal control was undertaken to support the preparation of this Statement on Internal Control.

Specific reviews and improvements have included a Corporate Governance Audit, a review of the implementation of the approach to project management, the implementation of new absence management procedures and a strategic review of ICT.

Independent external review of the effectiveness of the systems of internal control has included:

- The “Direction of Travel” assessment by the Audit Commission
- The assessment of the Authority’s “Use of Resources” in which the Authority scored 3 out of 4.
- External audit of the accounts for 2004/2005 by PriceWaterhouse Coopers
- The Commission for Social Care Inspection of Adult Social Services.
- The Commission for Social Care/Ofsted annual performance assessment of Education and Children’s Social Care Services.

Confirmation by signatories to the Statement

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Audit and Standards Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Internal Control Issues

As a result of our review of our systems of internal control we have identified improving the system of control around social care for adults, including the work of the Supporting People Programme, as the key area where the authority is seeking significant improvement. A programme of improvements is in place and is being closely monitored.

In addition we have identified five other areas where we wish to strengthen controls and performance although we do not judge any of these to be significant internal control issues.

- The authority is increasingly engaged in partnership working with both the public and private sector. A review of general governance arrangements for partnerships is underway and the performance of specific partnerships will be reviewed during 2006/2007.
- Controls around project management were reviewed during 2005/2006 following an earlier initiative. Although much progress has been made this continues to be an area the Authority wishes to strengthen.
- Information and its management is critical to controls in key areas including HR. Improvements were made in HR information during 2005/2006. The challenge for 2006/2007 is to ensure that this information is now used to improve consistency and effectiveness.
- Business continuity is as a risk for every organisation. The current arrangements in the Authority will be reviewed in 2006/2007.
- Non-academic guidance for schools is a key area for the authority in its role of supporting schools. The Authority will continue its work of reviewing and updating the framework of guidance and controls for schools during 2006/2007.

Chief Executive	Leading member
Date	Date