

## The County Treasurer's 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 2004/2005 and shows our financial position at 31 March 2005. It includes the following statements and accounts.

- ~ Statement of accounting policies.
- ~ Consolidated revenue account.
- ~ Trading accounts.
- ~ Consolidated balance sheet.
- ~ Statement of total movements in reserves.
- ~ Cash-flow statement.
- ~ Capital summary.
- ~ Statement of responsibilities for the statement of accounts.
- ~ Pension Fund accounts.
- ~ Statement on internal control.

### Revenue spending in 2004/2005

After considering the many spending pressures we faced, we increased the Council Tax by 6.6%, and we have continued to encourage managers to save money whenever they can without damaging services. We originally planned to spend £465.1 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.

During the year, we increased planned spending by £3.8 million. This was to be funded from reserves. By the end of the year, our final spending to be met from government grants and local taxpayers was £461.1 million. This was £4.0 million (0.86%) less than we had originally planned. See the consolidated revenue account on page 15.

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 2004/2005 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 £653.7 million.

Reconciliation from spending to be met by Government grants and local taxpayers to total spending	£ millions
Spending to be met from government grants and local tax payers	461.1
plus:	
~ service income	180.6
~ trading income	4.5
~ interest on cash balances	3.5
~ surplus for the year	4.0
<b>Total revenue spending</b>	<b>653.7</b>

Trading income of £4.5 million includes £4.4 million from trading accounts (see page 25) and a £0.1 million refund from a purchasing agreement.

<b>We spent money on</b>	<b>£ millions</b>	<b>Percentage %</b>
Education	409.9	63
Social services	159.1	24
Fire service	21.7	3
Cultural and other related services	19.5	3
Environmental services	14.0	2
Planning and development services	11.4	2
Highways, roads and transport services	38.0	6
Court services	4.8	1
Central services (see note below)	7.7	1
Other support services	25.5	4
<b>Total spending on services</b>	<b>711.6</b>	<b>109</b>
Other spending and adjustments:-		
- payments to the Environment Agency	0.2	0
- pension interest costs and expected return on assets	10.7	2
- money we paid to reserves	6.0	1
- trading accounts	4.1	0
- Asset Management Revenue Account	-47.6	-7
- capital spending met from revenue	5.3	1
- capital fees and expenses	0.3	0
- money transferred from the Capital Financing Account	-27.0	-4
- money transferred from the Pension Reserve	-13.9	-2
- surplus for the year	4.0	0
<b>Total revenue spending</b>	<b>653.7</b>	<b>100</b>

Note: Central services include corporate and democratic core, non-distributed costs 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.

<b>How we spent the money</b>	<b>£ millions</b>	<b>Percentage %</b>
Payments relating to staff	374.1	57
Spending on property	25.1	4
Supplies and services	63.4	10
Other expenses	170.0	26
Buying and using assets	21.1	3
<b>Total revenue spending</b>	<b>653.7</b>	<b>100</b>

<b>Where the money came from</b>	<b>£ millions</b>	<b>Percentage %</b>
Council Tax including surplus	175.8	27
Revenue Support Grant	155.1	24
Business Rates	134.2	20
	465.1	71
Specific government grants	103.2	16
Reimbursements and contributions	23.7	4
Income from fees and charges	61.7	9
<b>Total revenue spending</b>	<b>653.7</b>	<b>100</b>

At the end of the year our total revenue reserves amounted to £37.0 million. The table below shows the different types of reserve we hold.

Revenue reserves	£ millions
General reserve	6.9
School's reserve	8.7
Capital fund	3.7
Other reserves we hold for specific reasons	17.7
<b>Total</b>	<b>37.0</b>

- ~ 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 2004/2005 - £74.4 million**

Alongside our day-to-day costs, we spend money on assets such as buildings, new roads and major maintenance work. During 2004/2005, our capital spending came to £74.4 million (see page 6). More than half (54%) went on building work and fees, 33% went on roadworks and bridges, and the rest went on buying land, vehicles and major equipment, regeneration and environmental costs, grants and other costs.

We spent £32.3 million (43%) on education projects, £35.7 million (48%) on projects relating to planning, transport or economic strategy (PTES) and the balance of £6.4 million (9%) on other services.

The PTES projects carried out or started in 2004/2005 include the following:-

- ~ Structural work to maintain roads - £9.0 million.
- ~ Building the Eliot Park Innovation Centre in Nuneaton - £5.6 million.
- ~ Roads and footpaths and access improvements funded by developers - £4.5 million.
- ~ Work to improve safety on routes to schools and to encourage means of transport other than cars and improvements aimed at reducing accidents - £2.5 million.
- ~ Spending on major transport projects at Coleshill, Nuneaton, Rugby and Barford - £2.1 million.
- ~ Construction of roads to access industrial land at Camp Hill, Nuneaton - £2.0 million.
- ~ Assessing, strengthening and maintaining the structure of bridges - £1.7 million.
- ~ Provision of a park and ride facility for Stratford - £1.8 million.

A full list is provided in the capital summary on page 43.

The education projects carried out or started in 2004/2005 include the following:-

- ~ Direct capital spending for schools under the Government's 'devolved' and 'seed challenge' allocations at school level was £4.6 million. Also, we spent a further £2.2 million at school level. This was funded mainly from outside grants.
- ~ We spent £3.6 million on a programme of schemes to replace temporary classrooms by extending existing buildings or providing new accommodation.
- ~ Construction of Oak Wood Special Schools - £2.9 million.
- ~ Construction of sports hall at Alcester Grammar School - £1.7 million
- ~ Provision of additional teaching accommodation at Alcester High Technology College - £1.6 million.

A full list is provided in the capital summary on page 43.

We spent £2.0 million to improve data communication and develop and upgrade information technology. We also carried out structural maintenance work to a number of buildings costing £0.9 million. Other projects totalled £3.5 million.

There is a full list of the projects on pages 43 and 44.

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

#### Capital spending 2004/2005

Which services we spent money on	£ millions	Percentage %
Education	32.3	43
Libraries, heritage and trading standards	0.4	1
Planning, transport and economic strategy	35.7	48
Social services	0.9	1
Other services	5.1	7
<b>Total</b>	<b>74.4</b>	<b>100</b>

How we spent the money	£ millions	Percentage %
Building work and fees	40.0	54
Vehicles	2.3	3
Furniture and equipment	3.0	4
Land	2.6	3
Roadworks and bridges	24.6	33
Regeneration and environmental improvements	0.8	1
Grants and other spending	1.1	2
<b>Total</b>	<b>74.4</b>	<b>100</b>

Where the money came from	£ millions	Percentage %
Borrowing	30.0	40
Grants and money from other organisations	35.7	48
Selling assets	3.4	5
Capital Fund	0.8	1
Revenue	4.5	6
<b>Total</b>	<b>74.4</b>	<b>100</b>

#### 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 2004/2005 is included, the total value of our assets is now £1,180.4 million.

## **Euro costs**

The Head of Financial Management, Exchequer and Accounting 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.

## **Pensions**

This is the second 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 underlying our responsibilities 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 £170.4 million, the shortfall on the firefighters' pension scheme is £132.9 million and the shortfall on the teachers discretionary benefits pension scheme is £36.7 million. Any extra service costs shown on the consolidated revenue account are met from money transferred from the Pensions Reserve so that the charge against Council Tax reflects the actual cash paid in the year.

## **Whole of Government Accounts**

We are also working towards providing information to allow the Government to produce accounts for the whole of the public sector by 2006/2007. This information will need to be scrutinised by our auditors.

## **Group Accounts**

We have adopted transitional arrangements for the production of Group Accounts as outlined in the CIPFA Code of Practice in 2004/2005.

## **Looking ahead to 2005/2006**

In 2005/2006, after considering many spending pressures, we increased our Council Tax by 2.96%. We also used some of our savings (reserves) to support our spending on services. The actual increase in net spending (after income) was 6.1%. We plan to spend £493.4 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**  
County Treasurer

## 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.

### 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 2005 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 26.

### Intangible Assets

Intangible assets, such as software licences, are treated for accounting purpose in the same way as other assets. For intangible assets that have been capitalised a physical asset is not clearly visible. The value of intangible assets is written off over their useful life over a period of a maximum of 20 years.

## **Income from selling fixed assets**

We use the income from selling fixed assets 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 their remaining estimated useful life, on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives. 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 2004/2005, this percentage is 3.5% for land, buildings, vehicles and equipment, and 4.95% for other assets such as roads and bridges, waste management, 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. We charge the money on these assets direct to the balance sheet. To make sure the level of Council Tax is not affected, we then take this spending out 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 that 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.

## 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’.

Capital grants and contributions received or receivable in year that are not used to finance capital spending in the year are held 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.

### **Funded scheme - LGPS**

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 employer's contributions we had and were due to pay the LGPS scheme by 31 March.

This policy recognises the cost of retirement benefits when we are committed to give them even, if the actual giving is many years in the future. Also, any finance costs and changes in fund assets and liabilities are recognised in the year they happen. As a result, the closing balance sheet for 2004/2005 includes a pensions liability of £170.4 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 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.

Also, the policy for accounting for discretionary benefits (benefits we decided to award) awarded on early retirement has changed. In previous years, pension payments were recognised as part of unapportionable central overheads when they were eventually paid. This year, the projected cost of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

Together, these two changes have increased our total net spending by £5.3 million in 2004/2005.

Extra items for interest costs and expected return on assets are shown in the Consolidated Revenue Account. This increased our total net spending by £2.1 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 as we transfer these entries to the Pensions Reserve and replace them with the employers' contributions paid and due by 31 March.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/2004 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.3% actual). For the 2004/2005 Statement of Accounts, a rate based on the current rate of return on a high corporate bond equivalent currency and term to scheme liabilities is used. The actuary has advised that the rate of 2.5% real (5.4% actual) is appropriate. Applying this rate has resulted in an increase in liabilities measured at today's prices of £56.4 million. This amount is included 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 the cost of retirement benefits when we are committed to give them, even if the actual giving is many years in the future. Also, any finance costs and changes in liabilities are recognised in the year they happen. As a result, the closing balance sheet for 2004/2005 includes a pensions liability of £132.9 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 payments to pensioners.

Also, the policy for accounting for discretionary benefits awards (benefits we decide to award) when firefighters retire early has changed. In previous years, pension payments were recognised as part of unapportionable central overheads when they were paid. This year, the projected cost of discretionary awards are charged (as past service costs) to non-distributed costs in the year we decide to award the benefits.

Together, these two changes have reduced our total net spending by £1.3 million in 2004/2005.

Extra items for interest costs and expected return on assets are shown in the Consolidated Revenue Account. This increased our net spending by £6.7 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 as we transfer these entries to the Pensions Reserve and replace them with the employers' contributions paid and due by 31 March.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/2004 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.3% actual). For the 2004/2005 Statement of Accounts, a rate based on the current rate of return on a high corporate bond equivalent currency and term to scheme liabilities is used. The actuary has advised us that the rate of 2.5% real (5.4% actual) is appropriate. Applying this rate has resulted in an increase in liabilities measured at today's prices of £23.1 million. This amount is included in the increase in actuarial losses recognised for the year in the Statement of Total Movement on Reserves.

### **Teacher discretionary benefits**

The basic retirement and superannuation benefits of retired teachers are paid out of money provided by the Government. However, any additional added years benefits and early retirement costs paid to pensioners are met by the County Council. Under FRS17 the benefits that are paid by us are classified as defined benefits and in our accounts we need to show the extra costs of pension decisions we have made in the current year, regardless of when we will actually pay the financial costs.

These figures were not disclosed on an FRS17 basis in last year's accounts and therefore the 2003/2004 figures have been restated to include the FRS17 requirements. The effect of this on the revenue account and balance sheet are shown on pages 20 and 36 respectively.

As a result, the closing balance sheet for 2004/2005 includes a pensions liability of £36.7 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.

Also, the policy for accounting for discretionary benefits awarded on early retirement has changed. In previous years, pension payments were recognised as part of unapportionable central overheads when they were eventually paid. This year, the projected cost of discretionary awards are charged (as past service costs) to non-distributed costs in the year that the award decision is made.

Together, these two changes have decreased total net spending by £0.8 million in 2004/2005.

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 as we transfer these entries to the Pensions Reserve and replace them with the employers' contributions paid and due by 31 March.

In assessing liabilities for retirement benefits at 31 March 2004 for the 2003/2004 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5% real (6.3% actual). For the 2004/2005 Statement of Accounts, a rate based on the current rate of return on a high corporate bond equivalent currency and term to scheme liabilities is used. The actuary has advised that the rate of 2.5% real (5.4% actual) is appropriate. Applying this rate has resulted in an increase in liabilities measured at today's prices of £2.5 million. This amount is included in the increase in actuarial losses recognised for the year in the Statement of Total Movement on Reserves.

## Consolidated Revenue Account

This section summarises our spending on services. It also shows where we got the money from.

2003/2004 net spending restated £millions	Summary of revenue spending	2004/2005 gross spending £millions	2004/2005 income £millions	2004/2005 net spending £millions
	<b>Money spent on services</b>			
12.8	~ cultural and other related services	19.5	-4.8	14.7
11.6	~ environmental services	14.0	-1.6	12.4
4.5	~ planning and development services	11.4	-4.6	6.8
270.8	~ education	409.9	-89.9	320.0
18.5	~ fire service	21.7	-0.9	20.8
26.2	~ highways, roads and transport services	38.0	-7.6	30.4
93.1	~ social services	159.1	-54.7	104.4
1.4	~ court services	4.8	-2.8	2.0
6.0	~ central services	7.7	-0.8	6.9
11.6	~ other support services	25.5	-12.9	12.6
<b>456.5</b>	<b>Total cost of services</b>	<b>711.6</b>	<b>-180.6</b>	<b>531.0</b>
2.2	~ payments to the Environment Agency			0.2
-0.1	~ rebate from purchasing agreement			-0.1
0.3	~ capital fees and expenses			0.3
-1.0	~ overall profit from trading accounts			-0.3
-1.1	~ interest earned on cash balances			-3.5
-32.4	~ money transferred from the Asset Management Revenue Account			-47.6
11.5	~ pensions interest cost and expected return on assets			10.7
<b>435.9</b>	<b>Total net spending</b>			<b>490.7</b>
	<b>Contributions and adjustments</b>			
5.1	~ contributions to and from the capital fund to buy assets			-3.7
0.0	~ capital spending met from revenue			5.3
3.9	~ transfer to and from the Capital Financing Account			-18.6
-6.6	~ spending on assets we don't own			-8.4
3.0	~ contribution to earmarked reserves			8.3
0.3	~ contribution to schools' reserves			1.4
-10.9	~ contribution from the Pensions Reserve			-13.9
<b>430.7</b>	<b>Amount to be met from government grants and local taxpayers</b>			<b>461.1</b>
	<b>Where we got the money from</b>			
-162.8	Council Tax income			-175.6
-0.1	Surplus on previous year's collection of Council Tax			-0.2
-131.8	Government Revenue Support Grant			-155.1
-135.7	Business Rates			-134.2
<b>-0.3</b>	<b>Surplus or (-loss) for the year transferred to the general reserve</b>			<b>4.0</b>

## Notes to the Consolidated Revenue Account

### Note 1 Transactions with related organisations and people for 2004/2005 were as follows.

A number of councillors and senior officers are members of other local organisations (such as district councils, police authorities, NHS trusts and so on) 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 Company and Warwickshire Environmental Trust). You can see registers of members' and officers' interests at Shire Hall, Warwick. There were no transactions we needed to declare in the accounts for 2004/2005.

We have taken the option to take up transitional arrangements under CIPFA Accounting Code of Practice for the production of group accounts in 2004/2005.

### Note 2 Breakdown of revenue reserves

On 31 March 2004 £ millions	Breakdown of revenue reserves	On 31 March 2005 £ millions
9.4	<b>Reserves held for specific purposes</b>	17.7
7.3	~ earmarked reserves	8.7
16.7	~ schools' reserves	26.4
2.9	<b>Other reserves</b>	6.9
7.4	~ the general reserves	3.7
	~ the capital fund	
<b>27.0</b>	<b>Total</b>	<b>37.0</b>

### Note 3 The Asset Management Revenue Account

2003/2004 £ millions	The Asset Management Revenue Account	2004/2005 £ millions
	<b>Income</b>	
-38.0	Capital charges	-79.6
-20.0	~ to services	-18.4
-58.0	Government grants due	-98.0
	<b>Less spending</b>	
14.6	Depreciation	38.1
11.0	Interest charges	12.3
25.6		50.4
<b>-32.4</b>	<b>Total</b>	<b>-47.6</b>

**Note 4 Rent we have to pay for leased assets**

<b>Rent we have to pay for leased assets under operating leases</b>	<b>Non-property £ millions</b>	<b>Property £ millions</b>	<b>Total £ millions</b>
<b>Total rent for 2004/2005</b>	1.5	1.2	2.7
<b>Outstanding current leases in 2005/2006</b>	<b>1.3</b>	<b>1.3</b>	<b>2.6</b>
Leases due to end in 2005/2006	0.1	0.0	0.1
Leases due to end in 2006/2007	0.3	0.2	0.5
Leases due to end in 2007/2008	0.1	0.1	0.2
Leases due to end in 2008/2009	0.2	0.1	0.3
Leases due to end in 2009/2010	0.2	0.3	0.5
Leases due to end in 2010/2011 to 2014/2015	0.4	0.6	1.0

We also have some vehicles, machinery and equipment under finance leases. The total finance lease payments for 2004/2005 were £0.03 million (£0.04 million in 2003/2004).

**Note 5 Transfer to and from the Capital Financing Account**

<b>2003/2004 £ millions</b>	<b>Transfer to and from the Capital Financing Account</b>	<b>2004/2005 £ millions</b>
6.0	Minimum amount we have to set aside for repaying money we have borrowed	6.7
-14.6	Depreciation	-38.1
20.0	Adjustment for government grants due	18.4
-7.5	Capital spending not increasing value	-5.6
<b>3.9</b>	<b>Transferred to or from the Capital Financing Account</b>	<b>-18.6</b>

**Note 6 Agency income and spending**

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

<b>2003/2004</b>		<b>Agency income and spending</b>	<b>2004/2005</b>	
<b>spending £ millions</b>	<b>income £ millions</b>		<b>spending £ millions</b>	<b>income £ millions</b>
0.6	0.1	<b>Planning and transport</b> Work the district councils carry out for us	0.7	0.2
0.3	0.3	Work we carry out for the Department for Transport and the Office of the Deputy Prime Minister	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.

2003/2004	Goods and services we provide to other local authorities and organisations	2004/2005		
net income		income from charges	spending	net income
£ millions		£ millions	£ millions	£ millions
0.0	Contract and management services	-0.8	0.8	0.0
0.0	Property services	-0.2	0.2	0.0
0.0	Libraries and heritage	-0.4	0.4	0.0
-0.1	Other services	-6.5	6.5	0.0
<b>-0.1</b>	<b>Total</b>	<b>-7.9</b>	<b>7.9</b>	<b>0.0</b>

A negative figure shows an excess of income over expenditure.

### 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.

2003/2004 £ millions	Publicity account	2004/2005 £ millions
0.2	Employees and other related spending	0.2
1.6	Advertising job vacancies	1.6
0.8	Other spending	0.9
<b>2.6</b>	<b>Total</b>	<b>2.7</b>

### Note 9 FRS17 Accounting For Pension Costs: Local Authorities (In this section the figures in brackets are the figures for 2003/2004.)

This note applies as well as the Balance Sheet note 10 on page 32 and the Statement of Total Movement in Reserves on page 37. 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/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 2004/2005 early retirement costs were £0.3 million (£0.2 million in 2003/2004). 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 2004/2005, 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 £18.3 million in 2004/2005 (£17.6 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 2004/2005 these came to £2.4million (£2.3 million – restated from £2.1 million) and represented 1.8% (1.8% - restated from 1.6%) of pensionable pay. The restatement was required due the additional costs that were identified that were omitted in 2003/2004. We must also pay any costs relating to premature retirement. In 2004/2005 premature retirement costs were £0.3 million (£0.2 million in 2003/2004). Under FRS 17 these benefits are classified as defined contribution and therefore are subject to the requirements of FRS17.

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.

2003/2004 £ millions	Discretionary Teachers' Pension Scheme	2004/2005 £ millions
	<b>Money spent on services</b>	
0.0	~ current service cost	0.0
-1.6	~ past service cost	-1.9
	<b>Total net spending</b>	
-1.9	~ interest cost	-1.9
0.0	~ expected return on assets	0.0
	<b>Amount to be met from government grants and local taxpayers</b>	
-1.0	~ movement on the Pensions Reserve	-5.1
	<b>Actual amount charged against Council Tax for pension in the year</b>	
2.5	~ retirement benefits payable to pensioners	2.7

As a result of applying FRS17 to teachers discretionary benefits we have restated the revenue account figures as follows:-

<b>Consolidated Revenue Account 2003/2004 adjusted</b>	<b>2003/2004 statement of accounts £ millions</b>	<b>Teachers' discretionary adjustments FRS17 £ millions</b>	<b>Restated figures 2003/2004 £ millions</b>
Education	273.3	-2.5	270.8
central services (including non distributed costs)	4.4	1.6	6.0
other cost of services	179.7	0.0	179.7
<b>Net spending</b>	<b>457.4</b>	<b>-0.9</b>	<b>456.5</b>
Pensions interest cost and expected return on assets	9.6	1.9	11.5
other net spending items	-32.1	0.0	-32.1
<b>Total net spending</b>	<b>434.9</b>	<b>1.0</b>	<b>435.9</b>
Contributions and adjustments	5.7	0.0	5.7
Transfer to Pensions Reserve	-9.9	-1.0	-10.9
<b>Total net spending to be met from government grants and local taxpayers</b>	<b>430.7</b>	<b>0.0</b>	<b>430.7</b>

Note 10 to the Balance Sheet contains details of the assumptions we have made when estimating the figures included in this note. The Statement of Total Movement in Reserves details the actuarial gains and losses made in 2004/2005.

### **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 the 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.

2003/2004 £ millions	Firefighters' Pension Scheme	2004/2005 £ millions
	<b>Money spent on services</b>	
-2.1	~ current service cost	-3.0
-0.3	~ past service cost	-0.3
	<b>Total net spending</b>	
-4.8	~ interest cost	-6.7
0.0	~ expected return on assets	0.0
	<b>Amount to be met from government grants and local taxpayers</b>	
-28.5	~ movement on the Pensions Reserve	-25.5
	<b>Actual amount charged against Council Tax for pension in the year</b>	
3.1	~ retirement benefits payable to pensioners	4.7
0.0	~ transfers in	-0.1

In 2004/2005, the net cost of pensions (after including employees' contributions) was £2.5 million (£2.3 million) representing 32.4% (31.8%) of pensionable pay. Note 10 to the Balance Sheet contains 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 2004/2005.

### 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 59 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.

2003/2004 £ millions	Local Government Pension Scheme	2004/2005 £ millions
	<b>Money spent on services</b>	
-14.0	~ current service cost	-19.2
-0.2	~ past service cost	-0.5
-0.1	~ curtailment costs	0.0
	<b>Total net spending</b>	
-23.9	~ interest cost	-26.8
19.1	~ expected return on assets	24.7
	<b>Amount to be met from government grants and local taxpayers</b>	
47.2	~ movement on the Pension Reserve	-105.2
	<b>Actual amount charged against Council Tax for pension in the year</b>	
13.3	~ total employer's contribution	14.4

In 2004/2005, we paid a normal employer's contribution of £12.7 million (£11.8 million) into the pension fund. This was 11.2% (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 will change contribution rates from April 2005.

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2004/2005, these came to £1.2 million (£1.0 million), which was 1.0% (0.9%) of pensionable pay. Note 10 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 2004/2005.

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, travel and other costs and leased-car subsidy (where appropriate).

2003/2004 staff numbers	Employee pay bands	2004/2005 staff numbers
59	£50,000 - £59,999	69
10	£60,000 - £69,999	25
5	£70,000 - £79,999	4
7	£80,000 - £89,999	2
0	£90,000 - £99,999	6
0	£100,000 - £109,999	0
1	£110,000 - £119,999	0
0	£120,000 - £129,999	0
0	£130,000 - £139,999	1
<b>82</b>		<b>107</b>

We paid £0.9 million (£0.8 million in 2003/2004) 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 2004/2005, we spent £3.8 million on various support services, compared with £3.5 million in 2003/2004. This spending is now shown within the 'central services' heading in our consolidated revenue account.

### **Note 12 Non-distributed costs**

For 2004/2005, 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 2004/2005, these came to £2.690 million (£2.194 million restated from £0.576 million in 2003/2004 as a result of applying FRS17 to the teachers discretionary pension scheme). The cost of providing retirement benefits earned by and awarded to employees during the year is shown in service spends as current service costs.

### **Note 13 Pooled budgets with health**

In 2002/2003 we entered into pooling arrangements under section 31 of the Health Act 2001 for people with learning disabilities. We managed the pooled resources, and contributions into the pool from health organisations, which totalled £0.2 million. We spent the pool 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.

In 2004/2005 we entered into pooling arrangements under section 31 of the Health Act 2001 to provide an integrated community equipment service between WCC and the 3 Warwickshire Primary Care Trusts. We managed the pooled resources totalling £0.5 million with a contribution of £0.2 million from Warwickshire County Council and £0.3 million from the 3 Primary Care Trusts.

In 2004/2005 we sought Cabinet approval to the setting up of a section 31 agreement between Warwickshire County Council and the 3 Warwickshire Primary Care Trusts, for the provision of integrated services for children with disabilities. The agreement is effective from 1 April 2005. The various partners contributed a total of £0.3 million in advance of the formal section 31 pooling agreements of which Warwickshire County Council's contribution was £0.2 million. During 2004/2005 actual expenditure was £0.1 million leaving £0.2 million to be carried forward through a specific reserve.

In 2004/2005 we entered into pooling arrangements under section 31 of the Health Act 2001 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 £1.622 million with a contribution of £0.075 from us, £1.515 from the three Primary Care Trusts and £0.032 million from the five Warwickshire Crime and Disorder Reduction Partnerships. During the year the actual expenditure was £1.668 million. The overspend of £0.0466 million was met from the reserves of the Warwickshire Drug Action Team.

**Note 14 Audit fees**

We will have paid the following audit fees for work carried out for the year ended 31 March 2005.

<b>2003/2004 £ millions</b>	<b>Audit fees</b>	<b>2004/2005 £ millions</b>
0.2	Fees for the external audit services	0.0
0.1	Fees for the certification of grant claims and returns	0.0
0.0	Fees for statutory inspection	0.2
0.0	Fees for other services provided by the auditor	0.1
<b>0.3</b>	<b>Total</b>	<b>0.3</b>

**Note 15 Section 137 of the Local Government Act 1972**

Section 137 of the Local Government Act 1972 (as amended) allows us to spend up to £0.974 million in 2004/2005 (£0.962 million in 2003/2004) to benefit the local area or the people of Warwickshire where we have no other specific legal power to spend. In 2004/2005, we spent £0.023 million under section 137 (£0.022 million in 2003/2004).

## 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.

### Financial aim

Our trading accounts must break even after taking account of charges for the assets they use to provide its services. These charges are worked out in line with the accounting rules we use when we are preparing 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).

2003/2004		Trading activity	2004/2005	
Turnover (spend) £ millions	Adjusted surplus or loss £ millions		Turnover (spend) £ millions	Adjusted surplus or loss £ millions
8.8	0.3	County caterers	8.3	-0.1
2.3	0.0	County cleaning	2.6	0.0
1.1	0.1	County grounds maintenance	1.1	0.2
8.0	-0.7	IT services	9.0	-0.5
6.8	-0.1	Warwickshire education services	5.3	-0.2
0.0	0.0	Payroll Services	1.4	0.0
2.4	-0.4	Construction services	2.7	0.2
1.5	-0.2	County fleet maintenance	1.8	0.0
3.6	0.0	Design services	3.3	0.0
12.4	0.0	Warwickshire contracting (WARCO)	1.5	0.1
<b>47.0</b>	<b>-1.0</b>	<b>Total</b>	<b>37.0</b>	<b>-0.3</b>

The total income for 2004/2005 we received by the trading activities above (£37.3) million includes £32.9 million from other departments within the council and £4.4 million from other organisations. Negative figures above show a surplus of income over spend.

## Consolidated balance sheet on 31 March 2005

On 31 March 2004 restated £ millions	Consolidated balance sheet on 31 March	On 31 March 2005 £ millions	Notes
1,022.6	Land and buildings	1,001.8	1
8.9	Vehicles, machinery, furniture and equipment	9.5	1
147.2	Roads and bridges	167.6	1
1.5	Country parks and open spaces	1.5	1
<b>1,180.2</b>	<b>Total fixed assets</b>	<b>1,180.4</b>	
1.3	Long-term debtors	1.2	
<b>1,181.5</b>	<b>Total long-term assets</b>	<b>1,181.6</b>	
	<b>Current assets</b>		
0.8	~ stocks and stores	0.8	
32.2	~ prepayments and money owed by debtors	39.1	
61.6	~ short-term investments	79.5	
2.1	~ cash in the bank	1.5	
96.7		120.9	
	<b>Current liabilities</b>		
-2.6	~ loans due within 12 months	-0.1	3
-48.5	~ money we owe to creditors	-51.3	
-51.1		-51.4	
<b>45.6</b>	<b>Current assets less current liabilities</b>	<b>69.5</b>	
-175.6	Loans due after one year	-207.8	3
-0.1	Provisions	-1.7	4
-204.2	Liability related to defined benefit pension scheme	-340.0	
<b>-379.9</b>	<b>Long-term liabilities</b>	<b>-549.5</b>	
<b>847.2</b>	<b>Net assets</b>	<b>701.6</b>	
	<b>Financed from</b>		
877.5	Fixed Asset Restatement Account	857.7	page 37
80.5	Capital Financing Account	62.1	page 37
51.3	Government grants deferred account	67.2	page 37
-204.2	Pensions Reserve	-340.0	page 39
	<b>Reserve funds</b>		
19.6	The general reserve and earmarked reserves	33.3	page 37
7.4	The capital fund	3.7	page 37
0.3	Unused money from selling assets	0.1	page 38
14.8	Unused capital grants and contributions	17.5	page 38
<b>847.2</b>	<b>Net worth</b>	<b>701.6</b>	

David Clarke  
County Treasurer

## Notes to the consolidated balance sheet

## Note 1 Assets

<b>Assets</b>	<b>Land and buildings £ millions</b>	<b>Vehicles and equipment £ millions</b>	<b>Roads and bridges £ millions</b>	<b>Country parks and open spaces £ millions</b>	<b>Total £ millions</b>
Net book value at the start of the year	1,022.6	8.9	147.2	1.5	1,180.2
<b>Changes in the year</b>					
~ spending on assets	42.7	6.0	25.7	0.0	74.4
~ spending on assets we don't own	-8.3	-0.1	0.0	0.0	-8.4
~ value of assets we have sold	-2.8	-0.8	0.0	0.0	-3.6
~ changes in the value of assets	-19.5	-2.9	0.0	0.0	-22.4
~ changes in the amount owed by us	-1.8	0.0	-0.6	0.0	-2.4
~ reductions in value for the year	-31.1	-1.6	-4.7	0.0	-37.4
<b>Net book value at the end of the year</b>	<b>1,001.8</b>	<b>9.5</b>	<b>167.6</b>	<b>1.5</b>	<b>1,180.4</b>

<b>Our assets</b>			
<b>Buildings</b>			
~ schools	243	~ group homes and hostels	25
~ special schools and units	10	~ other social services properties	20
~ youth centres	23	~ magistrates' courts	3
~ other education properties	7	~ smallholdings	61
~ libraries	24	~ administrative buildings	36
~ museums	4	~ housing	45
~ waste disposal sites	8	~ other	45
~ county parks and nature reserves	11	<b>Land</b> ~ small holdings (hectares)	2,011
~ transport workshops and depots	5	~ other land (hectares)	1,750
~ fire stations	19	<b>Roads</b> (kilometres)	3,769
~ homes for elderly people	10	<b>Vehicles and equipment</b>	432

**Intangible assets**

<b>Assets</b>	<b>Software licenses we have bought £ millions</b>	<b>Licences, trademarks and artistic originals £ millions</b>	<b>Patents £ millions</b>	<b>Total £ millions</b>
Original cost	0.6	0.0	0.0	0.6
Amortisation to 1 April 2004	0.0	0.0	0.0	0.0
<b>Balance at 1 April 2004</b>	<b>0.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.6</b>
Expenditure in the year	0.3	0.0	0.0	0.3
Written off to revenue in the year	-0.3	0.0	0.0	-0.3
Reductions in value for the year	-0.1	0.0	0.0	-0.1
<b>Balance at 31 March 2005</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.5</b>

The above assets are included in the main assets table above under vehicles and equipment. We have spent no money on trademarks and we do not hold any patents. In addition we have bought a number of software licences direct from revenue in the year, which cost £1.8 million.

<b>Non Operational Assets</b>	<b>Surplus assets held for disposal £ millions</b>	<b>Investment Properties £ millions</b>	<b>Assets under construction £ millions</b>	<b>Total £ millions</b>
Original cost	24.3	1.5	7.9	33.7
Amortisation to 1 April 2004	-0.1	-0.1	-0.2	-0.4
<b>Balance at 1 April 2004</b>	<b>24.2</b>	<b>1.4</b>	<b>7.7</b>	<b>33.3</b>
Disposals in the year	-2.7	0.0	0.0	-2.7
Reductions in value for the year	-0.1	-0.1	-0.2	-0.4
<b>Balance at 31 March 2005</b>	<b>21.4</b>	<b>1.3</b>	<b>7.5</b>	<b>30.2</b>

The above non-operational assets are included in the main assets table under land and buildings.

<b>Assets held under finance leases</b>	<b>Gross book value 31 March 2005 £ millions</b>	<b>Built up depreciation 31 March 2005 £ millions</b>
Vehicles, machinery and equipment	0.2	0.1

<b>2003/2004 £ millions</b>	<b>Where the money for our capital spending came from</b>	<b>2004/2005 £ millions</b>
22.4	Borrowing	30.0
28.2	Grants and money from other organisations	35.7
7.3	Selling assets	3.4
0.0	From our revenue spending	4.5
0.0	From our capital fund	0.8
<b>57.9</b>	<b>Total</b>	<b>74.4</b>

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

<b>On 31 March 2004 £ millions</b>	<b>Spending on assets we do not own</b>	<b>On 31 March 2005 £ millions</b>
0.0	Balance at the start of the year	0.0
6.6	Spending in the year	8.4
-6.6	Money transferred to the Capital Financing Account	-8.4
<b>0.0</b>	<b>Balance at the end of the year</b>	<b>0.0</b>

**Note 3 Loans we have not yet repaid**

<b>On 31 March 2004 £ millions</b>	<b>Loans we have not repaid</b>	<b>On 31 March 2005 £ millions</b>
177.9	<b>We owe money to:</b>	207.7
0.3	~ Public Works Loans Board	0.2
	~ European Investment Bank	
<b>178.2</b>	<b>Total</b>	<b>207.9</b>
	<b>When we will pay the money back</b>	
2.6	Less than 1 year	0.1
0.1	Between 1 and 2 years	2.6
8.8	Between 2 and 5 years	6.2
9.5	Between 5 and 10 years	12.0
157.2	More than 10 years	187.0
<b>178.2</b>	<b>Total</b>	<b>207.9</b>

## Note 4 Provisions

On 31 March 2004 £ millions	Provisions	On 31 March 2005 £ millions
0.3	<b>Balance at the start of the year</b>	0.1
(0.2)	Decrease or increase during the year	1.6
<b>0.1</b>	<b>Balance at the end of the year</b>	<b>1.7</b>
0.1	<b>Held by services for:</b> ~ specific service liabilities	1.7
<b>0.1</b>	<b>Total</b>	<b>1.7</b>

## Note 5 Associated companies

We no longer have any current trading arrangements. Warwickshire Venture Capital Limited stopped trading on 30 September 2000. The company was a controlled company in that we held all the shares in the company and the four directors on the Board were all appointed by us. It remains a dormant company and dormant company accounts have been filed with the Registrar of Companies. Warwickshire Venture Capital (Investments) Limited was wound up on 8 May 2001. You can get copies of the latest set of accounts of these associated companies from Legal Services, Chief Executive's Department, PO Box 9 Shire Hall, Warwick CV34 4RR.

## Note 6 Financial commitments

### Leasing

The total of future rents for leased assets is shown in the consolidated revenue account summary notes on page 17. At 31 March 2004, contractual obligations to make payments under finance leases totalled £0.07 million. At 31 March 2005, the obligation amounted to £0.04 million. We have included a balance of £1.6 million in debtors. This is for fire engines which we are preparing and will sell to a leasing company when they are completed.

### Spending on assets

On 31 March 2005, we were still due to make payments of £27.4 million on schemes that were not yet finished, or which we had not finished paying for.

In addition, the County Council is expected to spend £17.5 million on the construction of a new school at Newbold-on-Avon, Rugby following the fire on 28 June 2004. Work will commence on site at the school in 2005/2006.

## Note 7 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. In 2002/2003 we set up a new fund for Probation to protect them from possible employment liabilities. This has now been paid into a separate account outside the County Fund in 2004/2005. We are the only trustees of these trust funds.

On 31 March 2004 £ millions	Trust funds	On 31 March 2005 £ millions
0.2	Balance at the start of the year	0.2
0.0	Movement on funds during the year	(0.1)
<b>0.2</b>	<b>Balance at the end of the year</b>	<b>0.1</b>

#### Note 8 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<sup>st</sup> March 2005 was £5.2 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.

We are part of a purchasing consortium which agreed to undertake capital works in the coming year. If the consortium should cease trading in this year we could be liable for a share of the capital expenditure estimated as an amount of £2.1 million. However the risk is considered minimal.

#### Note 9 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 maximum amount 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		£2,750,000
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 2005, there was £8.2 million (£7.1 million in 2003/2004) 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 10 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 59 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 funded by contributions from both us and our staff.

In 2004/2005 contribution rates were based on the results of the 31 March 2001 actuarial valuation. As a result, our employer's contribution rate was 187% of the employees' contribution and this rate continued until 31 March 2005 when the new rate of 11.7% or 195% of the employees' contribution was implemented following the 31 March 2004 valuation.

In 2004/2005 we made normal employer contributions totalling £12.7 million (£11.8 million in 2003/2004). This was 11.2% of pensionable pay for both years.

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 below.

<b>On 31 March 2004 % a year</b>	<b>Actuarial assumptions</b>	<b>On 31 March 2005 % a year</b>
2.8	Inflation	2.9
4.3	Salary increases	4.65
6.3	Rate of discount	5.4
2.8	Pension increases	2.9

The assets of the scheme are split as follows.

<b>On 31 March 2004 £ millions</b>	<b>Assets of the Local Government Pension Scheme</b>	<b>On 31 March 2005 £ millions</b>
272.8	Equities	301.6
62.1	Bonds	91.4
26.4	Cash	7.6
<b>361.3</b>	<b>Total</b>	<b>400.6</b>

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

<b>On 31 March 2004 % a year</b>	<b>Expected rates of return</b>	<b>On 31 March 2005 % a year</b>
7.5 4.7 to 5.5 4.0	Equities Bonds Cash	7.5 4.7 to 5.4 4.75

Our underlying assets and liabilities for retirement benefits for the Local Government Pension Scheme as at 31 March 2005 are as follows.

<b>On 31 March 2004 £ million</b>	<b>Local Government Pension Scheme</b>	<b>On 31 March 2005 £ million</b>
361.3 -426.5	Assets Liabilities	400.6 -571.0
<b>-65.2</b>	<b>Shortfall</b>	<b>-170.4</b>

The shortfall has increased by £105.2 million. The movement in the shortfall is reconciled over the page. (See the glossary on page 55 onwards for the definition of terms used).

<b>Shortfall on the Local Government Pension Scheme</b>	<b>On 31 March 2005 £ millions</b>
Shortfall at the beginning of the year	-65.2
Current service cost	-19.2
Employers' contributions (including receipts covering early retirements)	14.4
Past service and curtailment costs	-0.5
Net interest cost	-26.8
Expected return on assets	24.7
Actuarial gain on assets	9.7
Actuarial loss on liabilities	-10.8
Actuarial loss on assumptions	-96.7
<b>Shortfall at the end of the year</b>	<b>-170.4</b>

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 2.4% of the value of the assets at 31 March 2005.

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 2001 set the rate for 2002/2003, 2003/2004 and 2004/2005. The fund aims to set employers' contributions 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 2004/2005 took place as at 31 March 2001. At the March 2004 valuation the funding level fell to 82%, as a result there will be an increase to the employers' rate from 1 April 2005 from 11.2% to 11.7%.

**Firefighters' Pension Scheme** (In this section the figures in brackets are the figures for 2003/2004.)

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 2004/2005, pension payments totalled £2.5 million (£2.3 million) and this was 32.4% (31.8%) of pensionable pay. We must pay any costs relating to early retirement. For 2004/2005 this was £0.

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 Actuaries Department using the following actuarial assumptions.

On 31 March 2004 % a year		On 31 March 2005 % a year
2.8	Inflation	2.9
4.3	Salary increases	4.4
6.3	Rate of discount	5.4
2.8	Pension increases	2.9

On this basis, the balance sheet liability is -£132.9 million (-£107.4 million). The shortfall has increased by £25.5 million. The movement in the shortfall is reconciled as follows (see the glossary on page 55 onwards for the definition of terms used below).

Shortfall on the Firefighters' Pension Scheme	On 31 March 2005 £ millions
Shortfall at the beginning of the year	-107.4
Current service cost	-3.0
Pensions paid by employer (gross each year)	4.7
Transfers in	-0.1
Past service costs	-0.3
Net interest cost	-6.7
Actuarial gain on liabilities	8.5
Actuarial loss on assumptions (liabilities)	-28.6
<b>Shortfall at the end of the year</b>	<b>-132.9</b>

The liability arising from the FRS 17 calculations is notional 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 2003/2004)

We operate the Teachers' Pension Scheme (a defined benefit scheme) for our teaching staff under the Superannuation Act 1972. The scheme is managed by the Teachers' Pensions Agency 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 2004/2005 this amounted to £0.3 million (£0.2 million)

The Teachers' Pension Scheme is a defined benefit scheme, managed by the Teachers' Pensions Agency (TPA). 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' pensions scheme needed to be paid at the end of the financial year.

The teachers pension scheme is classified as a defined contribution scheme under FRS17. However, any additional added years benefits and early retirement costs paid to pensioners are met by the County Council. Under FRS 17 these benefits that are paid by us are classified as defined benefits and in our accounts we need to show the extra cost of pensions decisions we made in the current year, regardless of when we will actually pay the 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 therefore there are no assets. The liabilities have been worked out by the Government Actuaries Department using the following actuarial assumptions.

On 31 March 2004 % a year	Actuarial assumptions	On 31 March 2005 % a year
2.8	Inflation	2.9
6.3	Rate of discount	5.4
2.8	Pension increases	2.9

On this basis, the balance sheet liability is -£36.7 million (-£31.6 million). The shortfall has increased by £5.1 million. The movement in the shortfall is reconciled as follows (see the glossary on page 55 onwards for the definition of terms used below).

<b>Shortfall on Teachers Discretionary Benefits Scheme</b>	<b>On 31 March 2005 £ millions</b>
Shortfall at the beginning of the year	-31.6
Benefits Paid by employer	2.7
Past service and curtailment costs	-1.9
Net interest cost	-1.9
Actuarial loss on assumptions (liabilities)	-4.0
<b>Shortfall at the end of the year</b>	<b>-36.7</b>

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

### **Restatement of the Balance Sheet**

FRS 17 was not applied to the discretionary teachers benefits in 2003/2004. The result of applying it in 2004/2005 is that the balance on the pensions reserve account and the pensions liability have both been restated from -£172.6 m to -£204.2m as at 31 March 2004.

### **Note 11 Joint bank account**

The sum of £1.9 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 12 Events since the date of the balance sheet**

On the 1 April 2005 Magistrates' Courts Service transferred to Her Majesty's Courts Service.

## 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 reserve	Capital fund	
Balance on 1 April 2004	2.9	16.7	7.4	27.0
Transfers to and from other reserves	0.0	0.0	0.0	0.0
Changes in reserves during the year	4.0	9.7	-3.7	10.0
<b>Balance on 31 March 2005</b>	<b>6.9</b>	<b>26.4</b>	<b>3.7</b>	<b>37.0</b>

Of the £37.0 million earmarked reserves on 31 March 2005 shown in the table above, £8.7 million relates to reserves held by schools that manage their own budget.

Statement of total movement in the capital reserves/accounts	Capital reserves/accounts £ millions			Total £ millions
	Fixed Asset Restatement Account	Capital Financing Account	Grants Deferred Account	
Balance on 1 April 2004	877.5	80.5	51.3	1,009.3
Assets we no longer own and revaluations	-18.8	-5.6	0.0	-24.4
Opening balance adjustments	2.0	0.0	0.0	2.0
Value of assets we have sold	-3.0	0.0	0.0	-3.0
Transfer of spending on assets we do not own	0.0	-8.4	0.0	-8.4
Government Grants Debtor	0.0	0.0	-1.4	-1.4
Transfers to and from the provision for credit liabilities	0.0	-31.5	0.0	-31.5
Government grant set aside	0.0	18.4	-18.4	0.0
Money used to buy assets	0.0	8.7	35.7	44.4
<b>Balance on 31 March 2005</b>	<b>857.7</b>	<b>62.1</b>	<b>67.2</b>	<b>987.0</b>

Statement of total movement in capital reserves/accounts	Capital reserve/accounts £ millions		Total £ millions
	Unapplied Capital Grants & Contributions	Unapplied Capital Receipts	
Balance on 1 April 2004	14.8	0.3	15.1
Grants received	19.6	0.0	19.6
Outside contributions received	11.0	0.0	11.0
Income from selling our assets	0.0	3.2	3.2
Money used to buy assets	-27.9	-3.4	-31.3
<b>Balance on 31 March 2005</b>	<b>17.5</b>	<b>0.1</b>	<b>17.6</b>

On 31 March 2004 £ millions	Statement of total movement in the LGPS Pensions Reserve	On 31 March 2005 £ millions	% of assets or liabilities
-112.4	Balance on 1 April	-65.2	
-5.8	Transfer from or to revenue	-7.4	
	Actuarial gain or loss:		
	- difference between actual and expected return on assets	9.7	2.4
53.0	- difference between assumptions and actual experience on liabilities	-10.8	1.9
0.0	- changes in the assumptions used to estimate liabilities	-96.7	16.9
0.0			
<b>-65.2</b>	<b>Balance on 31 March</b>	<b>-170.4</b>	

On 31 March 2004 £ millions	Reconciliation of total movement in the Fire Pensions Reserve	On 31 March 2005 £ millions	% of assets or liabilities
-78.9	Balance as at 1 April	-107.4	
-4.1	Transfer from or to revenue	-5.4	
	Actuarial gain or loss:		
	- difference between actual and expected return on assets	0.0	0.0
0.0	- difference between assumptions and actual experience on liabilities	8.5	6.4
-8.6	- changes in the assumptions used to estimate liabilities	-28.6	21.5
-15.8			
<b>-107.4</b>	<b>Balance on 31 March</b>	<b>-132.9</b>	

On 31 March 2004 £ million	Reconciliation of total movement in the Teachers Discretionary Benefits Reserve	On 31 March 2005 £ million	% of assets or liabilities
-30.6	Balance as at 1 April	-31.6	
-1.0	Transfer from/(to) Revenue	-1.1	
	Actuarial gain or loss:		
	- Variation between actual and expected return on assets	0.0	0.0
0.0	- Variation between assumptions and actual experience on liabilities	0.0	0.0
0.0	- Changes in the assumptions used to estimate liabilities	-4.0	11.0
0.0			
<b>-31.6</b>	<b>Balance on 31 March</b>	<b>-36.7</b>	

**Restated**

<b>-204.2</b>	<b>Balance on 31 March</b>	<b>-340.0</b>	
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The balance of the Pensions Reserve at 31 March 2004 has been restated as a result of applying FRS17 to the teachers discretionary pension scheme. The balance has been restated from -£172.6 million to -£204.2 million, an increase of -£31.6 million as shown above.

## Cash-flow statement

This section shows our income and spending for the year.

Year ended 31 March 2004 £ millions	Cash flow	Year ended 31 March 2005 £ millions
	<b>Revenue activities</b>	
	<b>Payments we made</b>	
329.3	~ cash paid to staff	374.1
241.4	~ other costs	245.8
	<b>Money we received</b>	
-298.6	~ income from Precepts and Business Rates pool	-310.0
-131.8	~ government revenue support grant	-155.1
-94.4	~ government-specific grant	-103.2
-71.5	~ cash received for goods and services	-81.8
<b>-25.6</b>	<b>Total revenue activities cash flow</b>	<b>-30.2</b>
	<b>Servicing finance</b>	
	<b>Payments we made</b>	
11.0	~ interest paid	12.3
	<b>Money we received</b>	
-1.1	~ interest earned on cash balances	-3.5
<b>9.9</b>	<b>Total servicing finance cash flow</b>	<b>8.8</b>
	<b>Capital activities</b>	
	<b>Payments we made</b>	
57.9	~ buying assets	67.7
	<b>Money we received</b>	
-7.4	~ selling assets	-3.2
-29.2	~ capital grants and other contributions	-30.6
0.4	~ long-term debts repaid	-0.1
-0.1	~ other income	0.0
<b>21.6</b>	<b>Total capital activities cash flow</b>	<b>33.8</b>
<b>5.9</b>	<b>Cash flow before financing</b>	<b>12.4</b>
	<b>Movement in short-term investments</b>	
7.4		17.9
	<b>Financing</b>	
	<b>Payments we made</b>	
6.8	~ repaying money we have borrowed	2.6
	<b>Money we received</b>	
-25.0	~ new loans we have taken out	-32.3
<b>-4.9</b>	<b>Increase or decrease in cash</b>	<b>0.6</b>

Cash we received is shown as a negative number. There was a decrease of £0.6 million in cash in the year ending 31 March 2005.

## Notes to the cash-flow statement

## Note 1 Reconciliation of revenue cash flow

Year ended 31 March 2004 £ millions	Reconciliation of cash flow	Year ended 31 March 2005 £ millions
430.7	<b>Amount to be met from government grants and local taxpayers</b>	461.1
	add	
153.5	~ service income	180.6
6.4	~ trading income	4.5
1.1	~ interest on cash balances	3.5
-0.3	~ surplus or (-loss) for the year	4.0
591.4	<b>Total revenue spending</b>	653.7
	less	
-11.0	~ interest paid	-12.3
0.0	~ contributions to provisions and reserves	-11.4
0.0	~ contributions to capital spending	-5.3
-6.0	~ provision for repayment of debt	-6.7
-3.8	increase or decrease in money we owe	1.9
0.1	increase or decrease in stock and work that is not finished	0.0
570.7		619.9
-591.4	<b>Revenue income</b>	-653.7
	less	
1.1	~ less interest earned on cash balances	3.5
-11.6	~ contributions from provisions and funds	0.0
5.6	increase or decrease in money owed to us	0.1
-596.3		-650.1
<b>-25.6</b>	<b>Revenue activities net cash flow</b>	<b>-30.2</b>

## Note 2 Changes in cash and cash assets

Movement in cash and cash assets	on 31 March 2004 £ millions	on 31 March 2005 £ millions	Movement £ millions
Cash overdrawn or in the bank	2.1	1.5	-0.6
Short-term investments	61.6	79.5	17.9
<b>Net cash inflow</b>	<b>63.7</b>	<b>81.0</b>	<b>17.3</b>

**Note 3 Changes in other current assets and liabilities**

<b>Changes in current assets and liabilities (Revenue only)</b>	<b>on 31 March 2004 £ millions</b>	<b>on 31 March 2005 £ millions</b>	<b>Movement £ millions</b>
Prepayments and money owed by debtors	30.8	30.9	0.1
Money we owe to creditors	-46.1	-44.2	1.9
Stocks and stores	0.8	0.8	0.0
<b>Net movement</b>	<b>-14.5</b>	<b>-12.5</b>	<b>2.0</b>

**Note 4 Changes in long-term borrowing**

<b>Changes in long-term borrowing</b>	<b>on 31 March 2004 £ millions</b>	<b>on 31 March 2005 £ millions</b>	<b>Movement £ millions</b>
Changes in our long-term borrowing	-178.2	-207.9	-29.7
<b>Net movement</b>	<b>-178.2</b>	<b>-207.9</b>	<b>-29.7</b>

**Note 5 Specific government grants**

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

<b>Specific government grants</b>	<b>Actual income 2004/2005 £ millions</b>
The Standards Fund	16.1
Threshold Payments	8.6
Early Years grant	2.8
Learning Skills grant	22.1
DfES school-related grant	9.2
Other education grants	0.7
Rural bus subsidy, development and partnerships	1.3
Other planning, transport and economic strategy grants	3.6
Mental illness	1.0
Children's grant	1.0
Asylum seekers	0.8
Supporting people	11.0
Preserves rights	4.9
Assessment capacity and building capacity	4.5
Other social services grants	6.6
Magistrates' courts grants	2.7
PSA Reward Grant	2.7
Ryogens	1.4
Other grants including sheltered placements and emergency planning	2.2
<b>Total specific government grants</b>	<b>103.2</b>

## Capital summary

This section lists the larger items of capital spending on assets in 2004/2005.

Capital summary	Spending in 2004/2005 £ millions
<b>Education</b>	
~ Nuneaton, Construction of Oak Wood Special Schools	2.9
~ Alcester Grammar School - construction of sports hall	1.7
~ Alcester High Technology College - additional pupil numbers	1.6
~ Rugby, Ashlawn Sch.- building to replace temporary classrooms	1.3
~ Bishopton Prim. Sch. - building to replace temporary classrooms	0.6
~ Claverdon Prim. Sch. - building to replace temporary classrooms	0.5
~ Other buildings provided to replace temporary classrooms	1.2
~ Projects funded from Govt. modernisation grant in full or in part	6.6
~ School projects funded from government grant	4.6
~ School projects funded from other grants and contributions	2.2
~ Stockingford Nursery, Library and Child Care Facilities	0.9
~ Atherstone Nursery School and Parents Centre	1.0
~ Aylesford School - all weather pitch and refectory	0.8
~ Condition funding	0.3
~ Minor work at various schools	0.5
~ Various schools - access initiative schemes	1.2
~ Other spending, including vehicles and equipment	4.4
<b>Planning, transport and economic strategy</b>	
~ Coleshill multi - modal interchange - phase 1	0.8
~ Nuneaton major project	0.7
~ Other major transport projects	0.6
~ Structural work to maintain roads	9.0
~ Strengthening, maintaining and assessing bridges	1.7
~ Stratford Southern Relief Road eastern extension	1.6
~ other schemes funded by developers	2.9
~ Stratford, Bishopton Lane - Park and Ride	1.8
~ Nuneaton - bridge over railway line to access schools	0.9
~ Stratford decriminalisation	0.5
~ Improving safety and reducing the number of accidents	
- improvements to encourage people to cycle and walk	1.0
- local safety schemes	0.9
- safer routes to schools	0.6
~ Traffic management schemes	1.0
~ Public transport schemes	1.2
~ Other transport schemes	0.3
~ Eliot Park Innovation Centre, Nuneaton	5.6
~ Nuneaton, access roads to industrial land at Camp Hill	2.0
Continued over the page	

<b>Capital summary</b>	<b>Spending in 2004/2005 £ millions</b>
~ Improving the economic wellbeing of communities	0.9
~ Community led environmental improvements	0.7
~ Other spending, including vehicles and equipment	1.0
<b>Libraries, heritage and trading standards</b>	
~ minor works projects	0.4
<b>Fire and Rescue Service</b>	
~ Purchase of vehicles and equipment	0.7
~ Other spending, including vehicles and equipment	0.2
<b>Social services</b>	
~ Stratford - refurbishment of offices	0.2
~ Purchase of vehicles and equipment	0.2
~ Other spending	0.5
<b>Other services</b>	
~ E Government Infrastructure	2.0
~ Structural maintenance of buildings	0.9
~ access to buildings for disabled people	0.4
~ other spending including vehicles and equipment	0.9
<b>Total</b>	<b>74.4</b>

## 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 County Treasurer 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 County Treasurer's responsibilities

As the County Treasurer, 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**  
**County Treasurer**

**Date: 21 July 2005**

I confirm that the accounts were considered and approved at a meeting of the Council on 21 July 2005.

**Councillor Gordon Collett**  
**Chair of the County Council**

**Date: 21 July 2005**

## 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.

2003/2004 £ millions	Revenue account	2004/2005 £ millions
	<b>Income to the fund</b>	
-22.0	From employers	-23.7
-11.2	From employees	-12.0
-8.7	From employees transferring from other pension funds	-7.5
<b>-41.9</b>	<b>Income to the fund</b>	<b>-43.2</b>
	<b>Spending by the fund</b>	
24.3	Pension payments	25.8
4.0	Lump-sum payments due when people retire	4.7
0.1	Refunds to employees who leave the scheme	0.2
10.5	Payments where employees transfer to other funds	6.9
1.0	Administration expenses	1.1
<b>39.9</b>	<b>Spending by the fund</b>	<b>38.7</b>
<b>-2.0</b>	<b>Net additions from dealing with members</b>	<b>-4.5</b>
	<b>Return on investments</b>	
-18.9	Investment income	-18.9
	Less	
	Change in market value of investments:	
6.6	Realised (profit) or loss on sales	-21.4
-122.6	Unrealised (profit) or loss on sales	-31.4
1.1	Investment management expenses	2.1
<b>-133.8</b>	<b>Net profit on investments</b>	<b>-69.6</b>
<b>-135.8</b>	<b>Net increase in funding during the year</b>	<b>-74.1</b>

2003/2004 £ millions	Pension Fund net assets	2004/2005 £ millions
534.3	Net assets at the start of the year	670.1
135.8	Net increase in assets	74.1
<b>670.1</b>	<b>Net assets at the end of the year</b>	<b>744.2</b>

2003/2004 £ millions	Net assets statement	2004/2005 £ millions
	<b>Investments (market value)</b>	
74.9	Fixed-interest securities	3.1
464.3	Equities	446.6
38.7	Index-linked securities	0.0
36.1	Managed funds	277.7
49.7	Cash and deposits	7.7
1.2	Other investments	1.1
<b>664.9</b>		<b>736.2</b>
	<b>Current assets and liabilities</b>	
4.5	Cash	7.8
1.3	Debtors	1.1
-0.6	Creditors	-0.9
5.2		8.0
<b>670.1</b>	<b>Net assets at the end of the year</b>	<b>744.2</b>

## Notes

### 1 Operations and membership

We administer the statutory Warwickshire Local Government Pension Fund (a defined benefit scheme). The fund is open to the employees of the county council, the five district and borough councils and 59 other organisations. A list of scheduled and admitted bodies is provided on page 53. The fund does not cover teachers, police officers or firefighters as these staff have different pension arrangements. The management and administration of the pension fund is overseen by the Pension Fund Investment Board. The board is made up of five county councillors. Two specialist advisors provide advice and guidance to the board as well as the County Treasurer and his staff. During 2004/2005 the structure and investment management arrangements for the pension fund were revised as a result of a Best Value review. We moved from two balanced fund managers to five specialist managers (two in global stocks and shares, two in UK stocks and shares and one in bonds) and an index tracker). A specialist transition manager supervised the move between the old and new structure. We also appointed a 'global custodian' who holds, safeguards and reports on the fund assets.

Membership	2004/2005
Number of employees contributing to the fund	13,408
Number of pensioners paid by the fund	7,025
Number of ex-employees whose pension rights are 'frozen' until retirement	4,788

### 2 Accounting policies

We have prepared the accounts of the Pension Fund in line with the relevant Statement of Recommended Practice. The accounts give a summary of the transactions and net assets of the fund. They do not take account of liabilities to pay pensions and other benefits in the future. These are 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.

## **b Valuation of investments**

The following principal accounting policies, which have been applied consistently, have been applied in the preparation of the financial statements.

Stocks and shares traded through the Stock Exchange Electronic Trading Service (SETS) are valued on the basis of the latest mid market price. Other quoted investments are valued on the basis of the mid-market value quoted on the relevant stock market.

Pooled investment vehicles are valued at the average of the bid and offer price provided by the relevant fund manager, which reflect the market value of the underlying investments.

Unquoted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines.

The value of fixed interest investments in the Scheme's investment portfolio excludes interest earned but not paid over at the Scheme year-end, which is included separately.

Property Investments are not held by the pension fund.

Acquisition costs are included in the purchase costs of investments.

## **c Investment income**

Income from equities is accounted for on the date stocks are quoted ex-dividend. Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Income from fixed interest and index linked securities, cash and short term deposits is accounted for on an accruals basis.

Income from other investments is accounted for on an accruals basis.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

## **d Foreign currencies**

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, we have used the contract rate. Other assets and liabilities in foreign currencies are expressed in sterling at the rate of exchange ruling at the year-end. Income from overseas investments is translated into sterling at an average rate for the period.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change on market value of investments.

## **e Contributions**

Normal contributions both from the members and the employers are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid or in the absence of such as agreement, when received.

## **f Benefits payable**

Under the rules of the scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these sums are accounted for on an accruals basis from the date the option is exercised.

Other benefits are accounted for on the date the member leaves the plan or on death.

## **g Transfer to and from other schemes**

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the scheme.

They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year-end and where the amount of the transfer can be determined with reasonable certainty.

## **h Other expenses**

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

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

<b>Fund manager</b>	<b>Mandate</b>	<b>Negotiated fee</b>
State Street Global Advisers	UK stocks and shares	Percentage of the fund
Treadneedle 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
UBS Global Asset Management (old mandate)	Active balanced	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 determines the amount employers must contribute. The fund aims to set employers' contribution rates so that the projected assets equal at least 100% of the projected liabilities. At the last 31 March 2001 actuarial valuation, the actuary concluded that the funding level was at 102%. A new valuation took place as at 31 March 2004 and concluded that the level of funding is now 82%. A revised schedule of employers' contribution rates will take effect 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 2004/2005, we paid employers' contributions at a rate of 11.2%. The district and borough councils paid employers' contributions at rates ranging between 8.8% and 10.8%.

The most significant assumptions used for the March 2004 actuarial valuation (for future service) were as follows.

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

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

### 4 Fund manager holdings

2003/2004 £ millions	%		2004/2005 £ millions	%
664.9		Market value of external investments	736.2	
337.8	50.8	Henderson Global Investors	0.2	0.0
327.1	49.2	UBS Global Asset management	0.0	0.0
0.0	0.0	State Street Global Advisers (UK Equities)	122.1	16.6
0.0	0.0	Threadneedle Investments (UK Equities)	118.6	16.1
0.0	0.0	UBS Global Asset Management (Global Equities)	114.4	15.5
0.0	0.0	MFS (Global Equities)	111.0	15.1
0.0	0.0	UBS Global Asset Management (Fixed Interest)	109.4	14.9
0.0	0.0	Barclays Global Investors (Index Tracker)	160.5	21.8
<b>664.9</b>	<b>100.0</b>	<b>Total</b>	<b>736.2</b>	<b>100.0</b>

## 5 Listed and unlisted securities

2003/2004 £ millions	Securities	2004/2005 £ millions
419.2	UK listed securities	263.1
0.0	UK unlisted securities	270.2
194.8	Overseas listed securities	194.1
0.0	Overseas unlisted securities	0.0
<b>614.0</b>	<b>Total securities</b>	<b>727.4</b>

## 6 Sales and purchases

The large increase in purchases and sales in 2004/2005 is the result of the restructure of the pension fund from two to six fund managers.

2003/2004 £ millions		2004/2005 £ millions
414.7	Purchases	2,152.8
-387.3	Sales	-1,497.0
<b>27.4</b>	<b>Net purchases</b>	<b>655.8</b>

## 7 Contributions and benefits

2003/2004 £ millions	Contributions receivable	2004/2005 £ millions
12.0	Administering authority	12.9
6.3	~ From employers	6.9
18.3	~ From employees	19.8
8.9	Scheduled bodies	9.4
4.4	~ From employers	4.5
13.3	~ From employees	13.9
1.1	Admitted bodies	1.4
0.5	~ From employers	0.6
1.6	~ From employees	2.0
<b>33.2</b>	<b>Total</b>	<b>35.7</b>

The total contributions receivable from employers was £23.7 million (£22.0 million in 2003/2004) and £12.0 million (£11.2 million in 2003/2004) from employees.

Employee contributions during the year included payments of £0.2 million to purchase added years (£0.2 million in 2003/2004).

Employer contributions during the year included £0.9 million received from employers in respect of compensations to the fund for early retirements and redundancies (£0.9 million in 2003/2004).

2003/2004 £ millions	Benefits payable	2004/2005 £ millions
14.5	Administering authority	16.3
2.8	~ Pension paid (including lump sums)	4.1
17.3	~ Transfers out	20.4
12.6	Scheduled bodies	13.0
3.2	~ Pension paid (including lump sums)	2.4
15.8	~ Transfers out	15.4
1.2	Admitted bodies	1.2
4.5	~ Pension paid (including lump sums)	0.4
5.7	~ Transfers out	1.6
<b>38.8</b>	<b>Total</b>	<b>37.4</b>

The total pensions paid out including lump sums was £30.5 (£28.3 million in 2003/2004) and the total transfers out was £6.9 million (10.5 million in 2003/2004).

## 8 Statement of investment principles

The board approved a statement of investment principles on 22 November 2004. You can get a copy by writing to the County Treasurer's Department, PO Box 3, Shire Hall, Warwick CV34 4RH.

Alternatively, you can view the pension fund website on [www.warwickshire.gov.uk/pensions](http://www.warwickshire.gov.uk/pensions).

## 9 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  
 Long Itchington Parish Council  
 North Warwickshire and Hinckley College  
 North Warwickshire Borough Council  
 Nuneaton and Bedworth Borough Council  
 Rugby Borough 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 Magistrates' Court  
 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  
 National Association of Youth Clubs  
 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  
 Nuneaton Signs  
 Nuneaton Training Centre  
 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 Council for Voluntary Services  
 Warwick District Racial Equality Council  
 Warwick Schools  
 Warwick Town Council  
 Warwickshire Association for the Blind  
 Warwickshire Care Services Ltd  
 Warwickshire Welfare Rights Service  
 Westfield Community Development Association

### Other admitted bodies with pensioners but no pensionable employees

Remnant Water Authority  
 People in Action  
 Severn Trent Water Authority  
 Solihull Metropolitan Borough Council  
 St Paul's College  
 Warwickshire Careers Services Ltd

## 10 Bulk transfer out of the fund

The Magistrates' Courts left the County Council to join the Civil Service on 1 April 2005. All the pensions benefits for employees of Magistrates' Courts have been preserved in our pension fund and we expect 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.

## 11 Additional voluntary contributions

In 2004/2005, 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 £1.4million in Standard Life on 31 March 2005. The Pension Fund accounts also do not include additional voluntary contributions.

## 12 Other disclosures

There were no material related party transactions or stock lending during the year. The fund does not hold any property.

## 13 Investment performance

Investment performance	Our pension fund	Average for all local authorities (excluding property)
	%	%
Yearly return on investments for 2004/2005	9.7%	11.7%
Average five-year return from 1 April 2000 to 31 March 2005 (see note below)	1.4%	0.7%

Note: A five-year period is considered to be suitable for a fair comparison as performance can go up and down considerably from year to year.

As part of the restructure of the pension fund, new specialist benchmarks were set for the fund. Overall in the two final quarters of 2004/2005, the fund had a return of 7.5% compared with the fund's specific benchmark of 7.9%.

## Glossary

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

### **Actuarial gain (loss)**

For assets, actuarial gains or losses happen when the actual return on investments in the Pension Fund differs from the expected return. For liabilities, actuarial gains and losses happen when the actual liability differs from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the demographic 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 through becoming 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 Rate – NNDR)**

Businesses pay these 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 those departments, which deal with the public.

**CIPFA**

Chartered Institute of Public Finance and Accountancy.

**Corporate and democratic core**

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 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 are not owned by us.

**Depreciation**

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

**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.

**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.

**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.

**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 net 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.

**Reconciliation**

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

**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 expected to be achieved 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 the Council Tax, government grants, fees and charges.

**Revenue Support Grant**

The main government grant to support local authority services.

**Scheduled and admitted 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.

An admitted body is an organisation which can join (be admitted to) the LGPS with the agreement of the administering authority. It must be non-profit-making and will normally be receiving a grant from either central or local government.

**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, magistrates' courts). Specific grants are usually a fixed percentage of the costs 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.

**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.

