

## **Council**

**21 September 2017**

### **Statement of Accounts 2016/17**

#### **Recommendation**

That Council approves the 2016/17 Statement of Accounts.

#### **1. Purpose of the Report**

- 1.1. This report presents the Statement of Accounts for 2016/17.
- 1.2. The Statement of Accounts for Warwickshire County Council comprises of:
  - The statement of responsibilities for the accounts
  - A narrative report by the Head of Finance
  - The core financial statements, comprising:
    - The movement in reserves statement
    - The comprehensive income and expenditure statement
    - The balance sheet as at 31 March 2017
    - The cash flow statement
  - The statement of accounting policies
  - The notes to the core financial statements
  - The Fire-fighters Pension Fund Statement
- 1.3. Approval of the Annual Governance Statement, which will form part of the County Council's 2016/17 Statement of Accounts when they are published, is set out at item 7 on the agenda for this meeting. The Warwickshire Pension Fund is a separate body and, as such, has its own statement of accounts. A report seeking approval of the 2016/17 Warwickshire Pension Fund Statement of Accounts is at item 8 on the agenda.
- 1.4. Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS) and also the accounting and financing regulations of central government.

- 1.5. This covering report explains the key features of the primary statements and notes that make up the 2016/17 Statement of Accounts. The narrative report provides further information on the key issues for the benefit of readers of the statements.
- 1.6. Council are asked to approve the 2016/17 Statement of Accounts set out in the appendix to this report. (This has been circulated separately to members).

## **2. Narrative Report**

- 2.1. The purpose of the narrative report is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative report is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 13 July 2017.

## **3. Core Financial Statements**

### **3.1. Movement in reserves statement**

Reserves represent the Council's net worth and shows its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2015/16 and 2016/17.

### **3.2. Comprehensive income and expenditure statement**

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

- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Is a catch-all for items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pensions assets/liabilities.

### **3.3. Balance Sheet**

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2017. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

### **3.4. Cash flow statement**

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

## **4. Accounting Policies and Notes to the Core Financial Statements**

- 4.1. The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them. There are no changes of accounting policy reflected in the Statement of Accounts this year.
- 4.2. The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and include a lot of technical terms. However, the additional disclosures include important information and provide the context for the figures in the core financial statements.

## **5. Fire-fighters Pension Fund Statement**

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

## **6. Audit Status**

- 6.1. The attached 2016/17 Statement of Accounts has been audited and the Audit Findings Report from the external auditors, Grant Thornton, was considered by the Audit and Standards Committee at their meeting on 6 September 2017.

There were no issues raised in that report that the Committee wished to bring to the attention of Council.

- 6.2. The audit opinion will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Chair and Head of Finance following approval of the accounts by Council. A letter of representation is provided in connection with the audit of the 2016/17 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief, having made appropriate enquiries, that the financial statements give a true and fair view.
- 6.3. The approved accounts will be published alongside the authority's Annual Governance Statement together with the signed audit opinion by 30 September 2017 in line with statutory regulations.

## **7. 2017/18 Accounts**

- 7.1. As a result of new statutory requirements the timetable for the completion, audit and approval of the accounts for 2017/18 has been brought forward from September to July. The statement of accounts will in future come to Council in July for approval. Work is continuing to ensure we are in a position to meet this advanced timetable.

## **8. Background Papers**

None.

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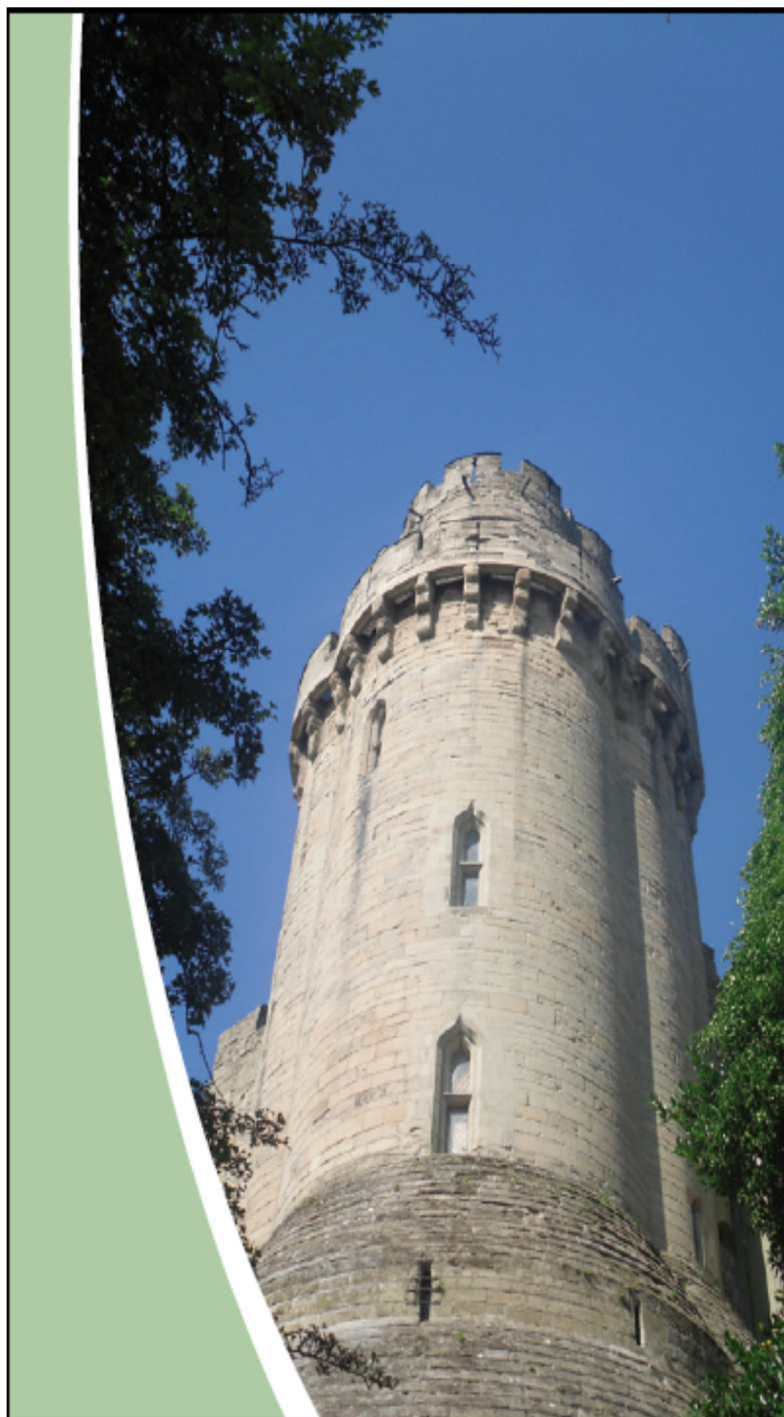
The following Elected Members have been consulted on this report prior to its publication:

### Audit and Standards Committee members:

John Bridgeman (Independent Chair), Bob Meacham, independent member

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

# Warwickshire County Council



## Statement of Accounts and Annual Governance Statement

2016/17

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

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You can also leave your comments on our website at [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk)

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you. Please contact Navdip Sodhi on 01926 418174.

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







## Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly, in line with the Accounts and Audit Regulations 2015.

### Responsibilities of the Council

We do the following:

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

### Responsibilities of the Head of Finance

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

In preparing our statement of accounts, I have:

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

I have also:

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

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



**John Betts**  
Head of Finance

**Date: 1 June 2017**

**Councillor Clive Rickhards**  
Chair of the Council

**Date: 21 September 2017**

## Narrative Report by the Head of Finance

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

### Introduction

I am pleased to introduce our Financial Accounts for 2016/17. They represent the financial results of the delivery of the third year of our 2014-2018 One Organisational Plan. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year. This narrative report is set out in three parts. The first provides some key information that summarises our financial performance in 2016/17 and our effectiveness in the use of resources. The second part looks forward, outlining the impact of the current economic climate and the risks we face on our resources and the services we provide. The third part provides information on how the Financial Accounts for 2016/17 are set out to help you navigate through what is at times a quite technical pack of information. This level of information is required to ensure we comply with proper accounting practices and meet strict reporting requirements laid out by International Financial Reporting Standards.

In considering this report, you should note that the comparison of spend against service budgets which we use internally to assess our financial performance is not directly comparable to the cost of services disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers, which is central to our in-year monitoring of our financial performance. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies or the glossary.

### Public inspection

It is important that members of the public have the opportunity to provide comment and question our Statement of Accounts. The draft Statement of Accounts for 2016/17 was available for inspection from 12 June 2017 to 21 July 2017. The formal audit of our accounts began on 5 June 2017 and we received an unqualified opinion on the Statement of Accounts on 22 September 2017. This means that in the External Auditors' opinion our accounts give a true and fair view of the financial position of the County Council.

### Capital and revenue spending

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

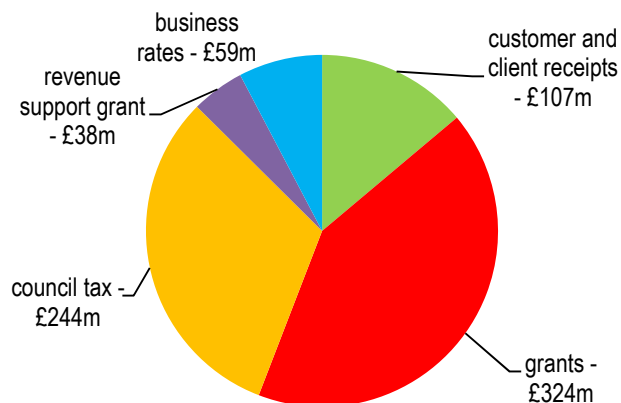
### Revenue spending – what we have received and spent

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



### How we received our money

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

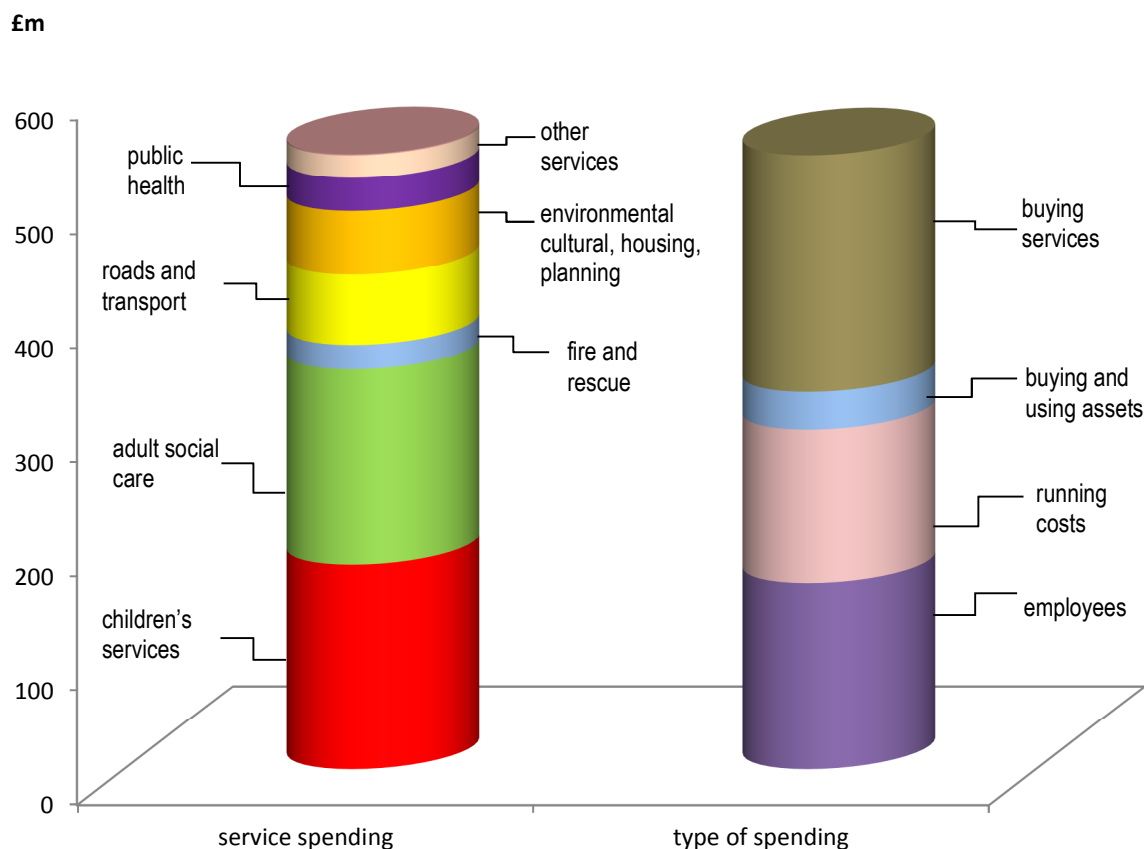


The main sources of revenue income received in 2016/17 to support the revenue budget of our services are shown in the chart on the left.

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

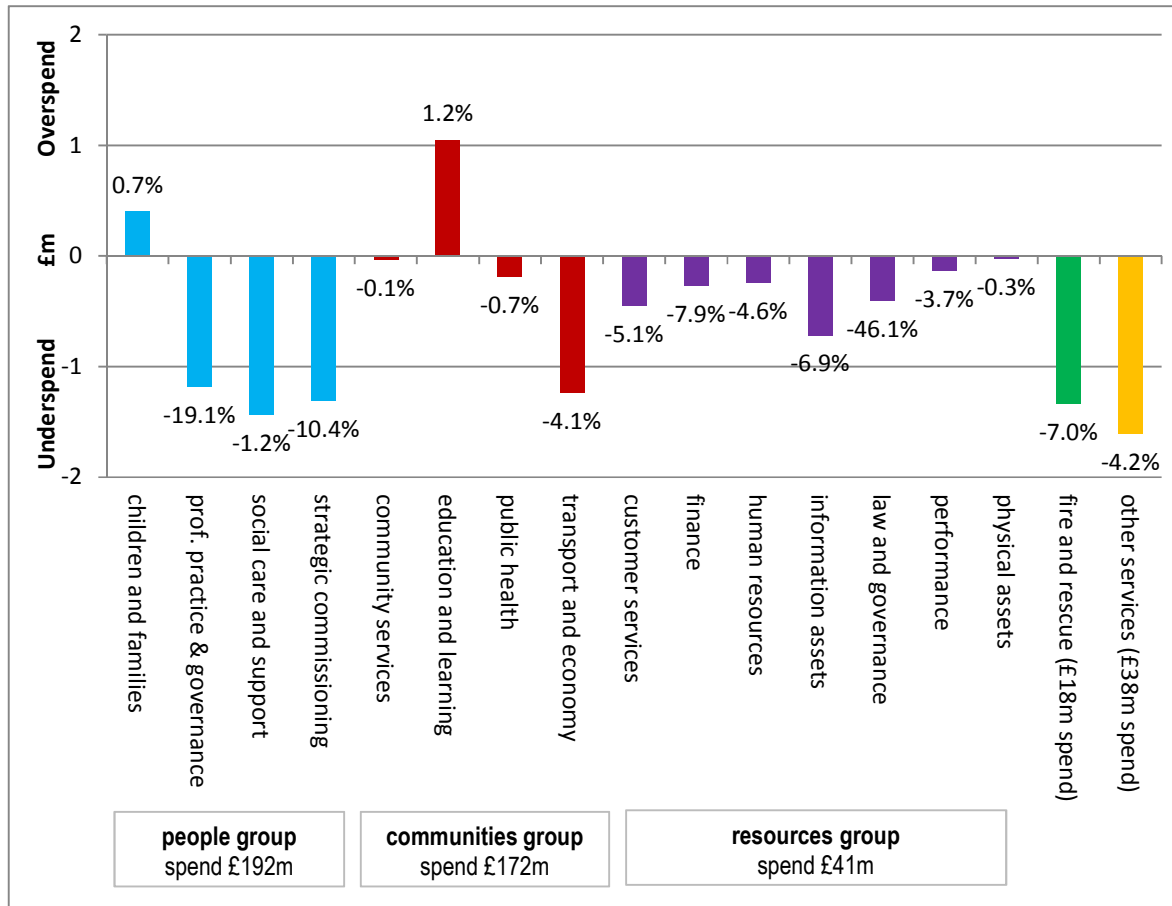
### What we have spent

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



## Revenue spending compared to our plans

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



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

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

## Savings and efficiencies

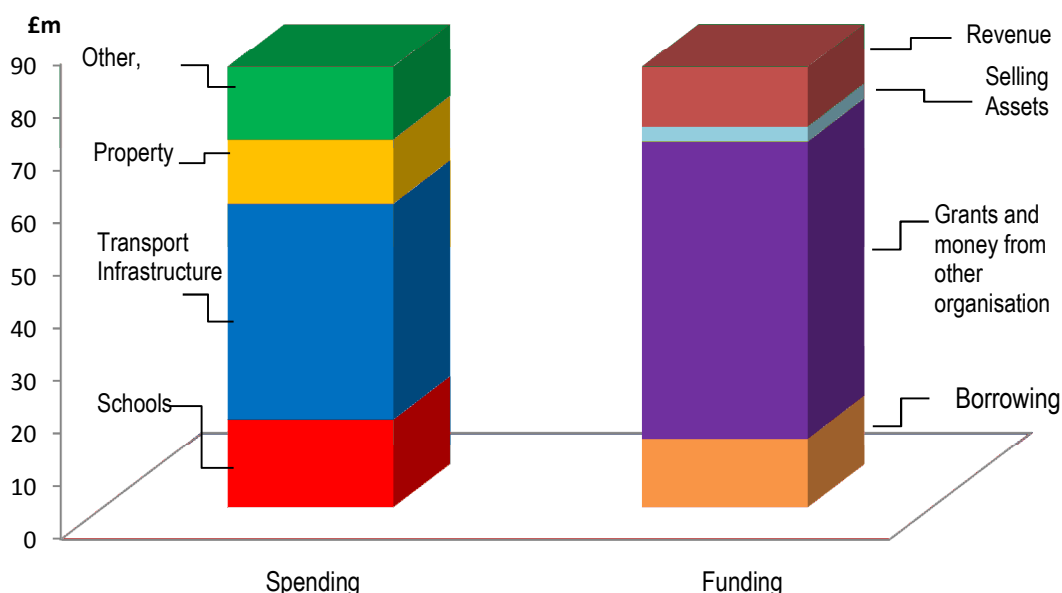
2016/17 was the third year of our four-year One Organisational Plan. Implementation of this plan requires savings of £66 million to be delivered, of which £46 million had been delivered by the end of 2016/17. £20 million of savings remain to be delivered by the end of 2017/18 and these savings form part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

## Employees

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

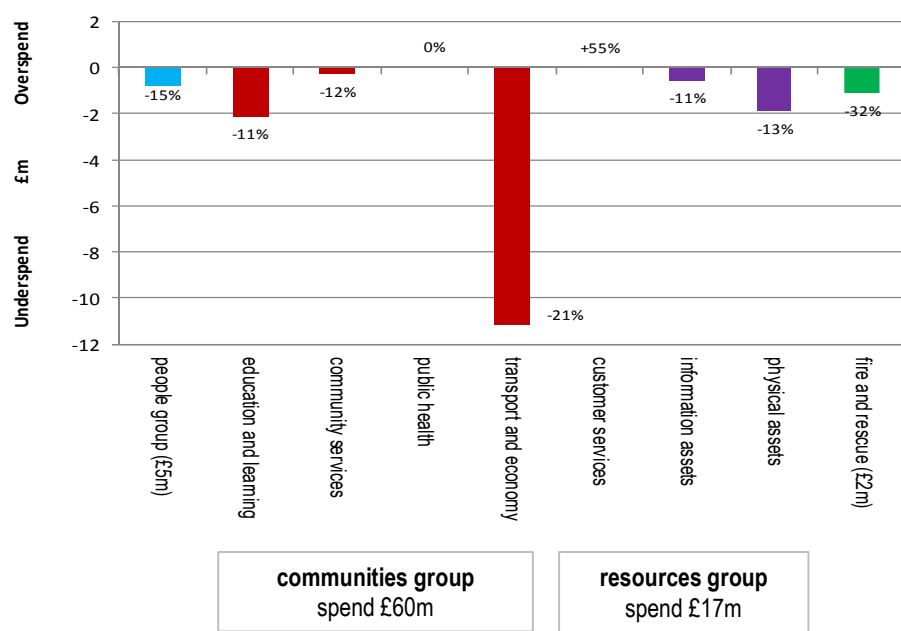
## Capital spending

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



## Capital spending compared to our plans

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



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

Our financial performance is monitored by Cabinet through the quarterly One Organisational Plan Progress report, which combines financial reporting with performance and risk reporting. You can get more information on our overall 2016/17 revenue and capital spending and the delivery of our planned savings in the end-of-year One Organisational Plan Progress report to Cabinet on 13 July 2017 (<https://democratic.warwickshire.gov.uk/cm5/CurrentCommittees.aspx>)

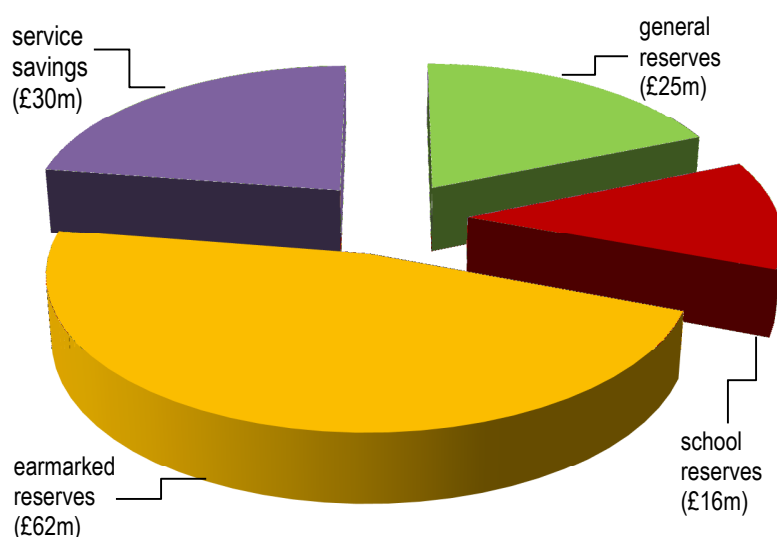
### The value of our assets

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

- Schools valued at £40 million transferring to academy status during 2016/17, resulting in them no longer being part of our asset base;
- The sale of assets valued at £3 million as part of our on-going property rationalisation programme;
- £70 million investment in assets that we own;
- A charge for the use of assets during the year of £46 million; and
- An increase in the value of our assets as a result of revaluations during the year of £14 million.

### Reserves

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



At 31 March 2017 our usable revenue reserves are £133 million. A breakdown is shown in the chart on the left. £11 million of these reserves are planned to be used to support the budget in 2017/18.

### Pensions

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

## Borrowing and investments

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

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

- Whilst the average rate that financial institutions lend money to each other (LIBID) was 0.20% during 2016/17 our treasury management activity generated average interest on investments of 1.10%;
- We have managed the Council's money prudently, with investments made to the UK Debt Management Office and to other local authorities in line with our Treasury Management Strategy;
- Our long-term debt outstanding is £352 million at 31 March 2017 compared to £353 million at 31 March 2016; and
- At 31 March 2017 we are holding £162 million of cash or cash equivalents, a decrease of £7 million from the previous year.




## Delivery of the 2014-18 One Organisation Plan













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

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

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

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

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

	The health & wellbeing of all in Warwickshire is protected	Improved health and well-being for everyone	2015/16 	2016/17 
		Our residents have choice and exercise maximum control over their health and social care regardless of where they live		
		Our residents are happy and have good levels of mental and physical health		
		Young people understand the choices available to lead healthy lives		
		Our residents enjoy an enhanced quality of life		
	Our economy is vibrant, residents have access to jobs, training & skills development	Warwickshire is the business centre of choice for the region	2015/16 	2016/17 
		Our economy provides quality jobs and unlocks entrepreneurship		
		Our young people are supported to meet their needs and aspirations		
		Our residents learn throughout their lives, are skilled and ready for employment and fulfil their potential		
	Warwickshire's communities are supported by excellent communications and transport infrastructure	Our planning infrastructure delivers strategic solutions for partners and ourselves	2015/16 	2016/17 
		Our integrated sustainable transport networks are fit for the future and meet the needs of residents and businesses		
		The digital divide in Warwickshire is addressed and opportunities from new technologies are maximised		
	Resources and services are targeted effectively and efficiently whether delivered by the local authority, commissioned or in partnership	The council's budget remains balanced and resources and managed effectively	2015/16 	2016/17 
		High quality needs based public services are deployed effectively and efficiently no matter how they are provided		
		Customers access information through multiple channels and demand for council services is effectively managed		
		Our staff are highly skilled and supported		
		Risk and change is managed effectively		

Key:-

R = Red    A = Amber    G = Green

## Management of Risk

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

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

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

## Medium Term Outlook

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

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

Our core purpose is that:

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





supported by two outcomes:

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

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

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

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

Inflation	Spending Pressures	Capital Resources	Adult Social Care
 <p>We have allowed for the cost of inflation over the period 2017-20 of £24 million. Funding has been allocated to cover the cost of inflation at a local level to minimise the impact on services.</p>	 <p>We have allocated £2.5 million a year to respond to expected or new spending pressures that emerge through to 2020 to ensure we have in place a medium term financial plan that is financially resilient.</p>	 <p>We will use our capital resources over the next three years to support an enhanced programme of investment in Warwickshire's future. We will supplement our £20 million annual borrowing by reinvesting the additional funding we receive as a result of growth in delivering a positive and sustainable impact for the people and communities of Warwickshire.</p>	 <p>We will use all of the additional 2% levy to increase the resources available to deliver adult social care, meeting demographic, statutory and inflationary pressures and delivering a service that supports people shaping their own solutions.</p>



## Content and Format of the Statement of Accounts

### Core Financial Statements

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

Comprehensive Income and Expenditure Statement	Balance Sheet
<p><b>An accounting deficit of £57.3 million for 2016/17 has been reported; the outturn position is a £1.2 million surplus.</b></p> <p><i>This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move from surplus to deficit are capital depreciation, impairment and pensions charges.</i></p>	<p><b>A decrease of £123.6 million in County Council's net assets as at 31 March 2017.</b></p> <p><i>The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2017 the County Council's net worth was £319.2 million.</i></p>
Cash Flow Statement	Movement in Reserves Statement
<p><b>A net cash outflow of £6.5 million in 2016/17 in cash or cash equivalents.</b></p> <p><i>This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.</i></p>	<p><b>An increase of £0.2 million in County Council usable reserves.</b></p> <p><i>This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.</i></p>

### Statement of accounting policies

This summarises the accounting rules and conventions we have used in preparing these financial statements. It reflects a change of accounting policy in relation to the presentation of services recorded in the Comprehensive Income and Expenditure Statement to more closely reflect the management of services within the authority.

### Notes to the core financial statements

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



**John Betts**  
Head of Finance

## Comprehensive Income and Expenditure Statement

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

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

**Movement in Reserves Statement**

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

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

**Balance Sheet as at 31 March 2017**

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

John Betts  
Head of Finance  
1 June 2017

**Cash Flow Statement**

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

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

## Statement of accounting policies

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

### General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2016/17 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

### Accruals of income and expenditure

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

### Assets held for sale

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

### Cash and cash equivalents

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

### Contingent assets

We have identified contingent assets where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 34 to the accounts on page 61. These are not included in our Balance Sheet.

### Contingent liabilities

We have identified contingent liabilities where either:

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

Our contingent liabilities disclosure is shown in note 35 to the accounts on page 62. These are not included in our Balance Sheet.

**Employee benefits**Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

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

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

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

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

**Events after the Balance Sheet date**

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

**Exceptional items, prior period adjustments and changes to accounting policies**

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

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

**Fair value**

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

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

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

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

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

### **Financial assets**

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

#### Loans and receivables

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

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

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

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

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

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

#### Available-for-sale assets

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

### **Financial liabilities**

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



accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

### **Government grants**

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

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

### **Heritage assets**

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

### **Income from selling non-current assets**

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

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

### **Intangible assets**

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other

non-current assets. We gradually reduce (amortise) the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the Comprehensive Income and Expenditure Statement. Intangible assets are initially valued at historic cost (the cost at which they were acquired).

**Inventories**

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

**Investment property**

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

**Leases**

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

Finance leases

We deal with finance leases in the same way as other capital spending. We have included these as assets in the balance sheet and charge depreciation on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the Comprehensive Income and Expenditure Statement.

Operating leases

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

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

**Minimum Revenue Provision**

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

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

**Overheads and support service costs**

In accordance with the CIPFA Service Reporting Code of Practice 2016/17 all support service costs are apportioned fully to services on a relevant basis. These include employee numbers, IT network access users and gross spend. The two

categories of cost that are not charged out to services are corporate and democratic core costs and non-distributed costs (see glossary).

### **Property, plant and equipment**

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

#### Recognition

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

#### Measurement

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

The closing balances on 31 March 2017 were valued in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use. However, where there is insufficient market valuation evidence some land and buildings, for example schools, are included in the Balance Sheet at a depreciated replacement cost.
- Surplus assets are not used by us in our day to day work and are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use.
- The valuation of assets held for sale is disclosed in the accounting policy on assets held for sale on page 25.
- The valuation of investment properties is disclosed in the accounting policy on investment properties on page 29.
- We have included infrastructure assets, such as roads and bridges and community assets, vehicles and equipment in the Balance Sheet at the amount they cost when brought into use less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value.
- The valuation of heritage assets is disclosed in the accounting policy on heritage assets on page 28.

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

#### Impairments and revaluation losses

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

### Depreciation

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

The cost of depreciation is calculated according to the following:

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

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

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

### **Provisions**

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

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

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

### **Reserves**

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

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

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

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

#### **Revenue expenditure funded from capital under statute**

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

#### **Schools and schools assets**

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

#### **VAT**

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

## Notes to the Core Financial Statements

### Note 1: Expenditure and Funding Analysis and associated notes

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

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

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

**Notes to the Expenditure and Funding Analysis**

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

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

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

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

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

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

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

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

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



**Expenditure and Income Analysed by Nature**

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

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

<b>Adjustments between accounting basis and funding basis under regulations - 2016/17</b>	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves net spending</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
~ Charges for depreciation of non-current assets	45.7			-45.7
~ Revaluation losses on property, plant and equipment assets	10.5			-10.5
~ Movements in the market value of investment properties	1.0			-1.0
~ Amortisation of intangible assets	0.5			-0.5
~ Capital grants and contributions applied	-56.4			56.4
~ Revenue expenditure funded from capital under statute	12.6			-12.6
~ Amounts of non-current assets written off on disposal to the CIES	44.1			-44.1
Insertion of items not debited or credited to the CIES				
~ Statutory provision for the repayment of debt	-15.7			15.7
~ Capital expenditure charged to the General Fund Balance	-11.3			11.3
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
~ Capital Grants and contributions unapplied credited to the CIES	1.1		-1.1	0.0
~ Application of Capital Grants to the Capital Adjustment Account	-2.5		2.5	0.0
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-2.8	2.8	0.0	0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure		-2.8		2.8
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.1			-0.1
<b>Adjustments primarily involving the Pensions Reserve</b>				
~ Grant funding of fire-fighters pension liabilities	-5.6			5.6
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	72.4			-72.4
~ Employers pensions contributions and direct payments to pensioners payable in the year	-40.8			40.8
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0.8			-0.8
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	-2.5			2.5
<b>Adjustment primarily involving the Accumulated Absences Account</b>				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4.9			-4.9
<b>Total adjustments</b>	<b>56.1</b>	<b>0.0</b>	<b>1.4</b>	<b>-57.5</b>

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

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

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

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

**Note 4: Other operating expenditure**

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

**Note 5: Financing and investment income and expenditure**

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

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

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

**Note 7: Transfers to/from earmarked reserves**

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

The money that Business Units set aside is held to make sure that they can meet future known budget commitments, and that services will have the resources to react to any unexpected events. Details of reserves held by Business Units are reported to Elected Members on a regular basis as part of our One Organisational Plan Progress Report. Reports are available via [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk). A summary of the reserves held by the groups are shown in the table below.

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

**Note 8: Property, plant and equipment**

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

Table may not sum due to roundings

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

Our land and building assets includes schools, fire stations, libraries, waste disposal sites and other buildings. Our expenses on sale of assets are funded through the Capital Fund. Assets we have sold or transferred mainly relate to schools that have transferred to Academy status during the year.

**Depreciation** – see accounting policies on page 31.

### Capital commitments

At 31 March 2017, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for totals £22.9 million. Similar commitments at 31 March 2016 were £7.9 million.

The three largest outstanding commitments are as follows:

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

### Effects of changes in estimates

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

**Fair Value Measurement**

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

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

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

**Revaluations**

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

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

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



**Note 9: School property, plant and equipment**

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

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

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

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

**Note 10: Heritage assets**

The net book value of the heritage assets we hold is £4.2 million (£4.0m in 2015/16). There have been no significant acquisitions during 2016/17 and there have not been any significant disposals of heritage assets.

Details of our recognition and valuation policy in relation to heritage assets is shown in our accounting policies on page 28. More detailed information about the specific heritage assets we hold is on our web-site [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk)

**Note 11: Investment properties**

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

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

<b>31 March 2016 £ m</b>	<b>Investment properties</b>	<b>31 March 2017 £ m</b>
0.4	Direct net operating expense arising from investment property	0.4
<b>0.4</b>	<b>Net gain/loss (-)</b>	<b>0.4</b>

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

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

## Note 12: Intangible Assets

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

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

We do not hold any patents. We have not incurred any spending on software licences and development in 2016/17 (£nil in 2015/16). We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years). The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.5 million charged to revenue in 2016/17 was charged to a number of services, some of which was absorbed as an overhead and charged across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

Software licences we have bought 2015/16 £ m	Intangible assets	Software licences we have bought 2016/17 £ m
4.3	Gross book Value at 1 April	3.9
-2.4	Amortisation balance at 1 April	-2.5
<b>1.9</b>	<b>Net book value at 1 April</b>	<b>1.4</b>
	<b>Changes in the year</b>	
-0.5	~ Opening Balance Adjustment	0.1
0.1	~ Spending on assets	0.0
0.0	~ Transfer from work in progress to complete	0.2
	<b>Amortisation</b>	
0.5	~ Opening balance adjustment	0.0
-0.6	~ Amortisation	-0.5
<b>1.4</b>	<b>Net book value at 31 March</b>	<b>1.2</b>
3.9	Gross book Value at 31 March	4.2
-2.5	Amortisation balance at 31 March	-3.0
<b>1.4</b>	<b>Net book value at 31 March</b>	<b>1.2</b>

**Note 13: Financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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

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

In assessing fair value we have made the following assumptions:

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

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

#### Note 14: Debtors

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

#### Note 15: Cash and cash equivalents

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

#### Note 16: Assets held for sale

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

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

**Note 17: Creditors**

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

**Note 18: Provisions**

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

Our former liability insurers, Municipal Mutual Insurance (MMI) went into run-off (ceased to write new business) on 30 September 1992, following which a contingent Scheme of Arrangement became effective on January 1994 to ensure a smooth run-off should MMI subsequently be declared insolvent. In the event of the Scheme being triggered, claims paid by MMI after 30 September 1992 will be liable to claw back, at a percentage to be determined by the administrators, with subsequent claims to be paid in part at the same percentage. A recent Supreme Court judgement relating to establishment of liability arising from mesothelioma claims under employers' liability policies has resulted in the increased possibility of the Scheme being triggered. We have set aside £2.0 million to cover the claw back and the outstanding claims.

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

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

We have had to plan to reduce our staff numbers to deliver our savings programme over the next four years. We have accounted for these employment costs but only where the decisions taken are irreversible. This and all other provisions, totalling £2.1 million, are individually insignificant.

**Note 19: Usable Reserves**

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

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

**Note 20: Unusable Reserves**

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

**Revaluation Reserve**

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

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

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

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

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction and enhancement as



depreciation, impairment and revaluation losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts we set aside as finance for the costs of acquisition, construction and enhancement.

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

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

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

#### Financial Instruments Adjustment Account

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

We have not received any discounts or paid any premiums in 2016/17.

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

#### Available for Sale Financial Instruments Reserve

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

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

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

### Accumulated Absences Account

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

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

### Collection Fund Adjustment Account

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

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

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. We account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed, as we make

employer's contributions to pension funds or eventually pay any pensions for which we are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources we have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

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

Table may not sum due to roundings

### Note 21: Cash Flow Statement – operating activities

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

### Note 22: Cash Flow Statement – investing activities

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

**Note 23: Cash Flow Statement – financing activities**

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

**Note 24: Grant Income**

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

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

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

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

The balances at year end are as follows:

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

#### Awarding departments

CLG is the Department for Communities and Local Government

CCG's are the Clinical Commissioning Groups in Warwickshire

DfE is the Department for Education

DfT is the Department for Transport

DH is the Department of Health

ESFA is the Education and Skills Funding Agency

ENV is the Environment Agency

HO is the Home Office

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

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

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

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

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	<p>If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £4.8 million for every year that useful lives are reduced.</p>
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £148 million. See table on Page 74 for further examples.</p> <p>During 2016/17, our actuaries advised that the net pensions' liability has increased by £120.4 million mainly as a result of a large actuarial loss.</p>
Fair Value	<p>It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs).</p> <p>For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date and for level 3 inputs we use the most recent valuations.</p> <p>Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values.</p> <p>Where Level 1 inputs are not available, we use our internal RICS qualified valuers to identify the most appropriate valuation techniques to determine fair value.</p>	<p>We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale under IFRS 13.</p> <p>The unobservable inputs used in the fair value measurement include assumptions regarding rent growth and occupancy levels.</p> <p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>

**Note 27: Authorisation for issue**

These accounts have taken into account all known events up to XX September 2017. On that date the accounts were authorised for issue by the Head of Finance.

**John Betts**  
Head of Finance

**Note 28: Capital expenditure and capital financing**

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

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

Table may not sum due to roundings

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

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

**Note 29: Critical judgements in applying accounting policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, we have determined that this uncertainty is not yet sufficient to provide an indication that our assets might be impaired as a result of a need to close facilities and reduce levels of service provision.
- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts. In accordance with the Code we include them in our single entity accounts and we do not have to prepare separate group accounts. Details of the value and number of each type of school included in our accounts is shown at note 9 on page 44.



- When a school that is held on our Balance Sheet transfers to academy status we account for this as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed.
- Details of our relationships with other companies and investments in companies are detailed in note 43 on page 79. These were not material for us and we have not prepared group accounts on this basis.

### Note 30: Dedicated Schools' Grant

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

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

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

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

### Note 31: Events after the Balance Sheet date

#### Academies

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

The significance of the conversion of these schools to academy is that the value of the land, buildings and any vehicles, plant and equipment will be removed from our Balance Sheet at the date of conversion. The value of the derecognition of the current schools looking to convert to academy status after 31 March 2017 will be in the region of £117.4 million.

### Note 32: External audit costs

We have incurred costs of £0.1 million (£0.1 million in 2015/16) for the year in relation to the audit of the Statement of Accounts and certification of grant claims provided by our external auditors.

### Note 33: Leases

#### Authority as lessee

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

#### Authority as lessor

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

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

31 March 2016 £ m	Operating lease period	31 March 2017 £ m
1.4	Not later than 1 year	1.5
4.2	Later than 1 year and not later than 5 years	4.1
9.6	Later than 5 years	9.3
<b>15.2</b>	<b>Total</b>	<b>14.9</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £0.1 million (£0.1 million in 2015/16) contingent rents were receivable by the authority.

### Note 34: Contingent assets

We currently have no contingent assets.

**Note 35: Contingent liabilities**

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

We have an ongoing dispute with a civil engineering contractor.

**Note 36: Members' allowances**

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

**Note 37: Nature and extent of risk arising from financial instruments**

Our activities expose us to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to us;
- Liquidity risk – the possibility that we might not have funds available to meet our commitments to make payments; and
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Our overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out by a central treasury management team, under policies approved by the Council annually in the Treasury Management Strategy and is available via [www.warwickshire.gov.uk](http://www.warwickshire.gov.uk). We provide written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of short-term F1, long-term A, Viability A, support 1 (3 for UK banks).

Many of the invoices we raise are the result of statutory obligations. However, where we are providing non statutory goods or services to customers, we consider their ability to pay. A number of checks are available to managers as outlined in our Debt Recovery Best Practice Guide.

We have assessed our potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years. This has been adjusted to reflect current market conditions. However, there is no effect as there is no instance of institutions that meet our credit ratings defaulting in the last five years.

**Liquidity risk**

As we have ready access to borrowings from the Public Works Loan Board (PWLb), there is no significant risk that we will be unable to raise finance to meet our commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of our borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period.

The maturity analysis of financial liabilities is as follows:

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

Our level of borrowing is mainly due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2016/17 to pay for new capital spending.

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

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

### Market risk

#### Interest Rate Risk

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

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

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

We have an active strategy for assessing interest rates exposure that allows for any adverse changes to be incorporated into the budget on a quarterly basis. According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- A decrease in the fair value of fixed rate investment assets of £0 million (£0.040 million in 2015/16)
- A decrease in fair value of fixed borrowing of £89.3 million (£78.9 million in 2015/16).

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

Price risk

We have some shareholdings in related companies most of which have been derecognised in full prior to April 2006. Those shareholdings existed in the acquisition of specific interests and we are as such not in a position to diversify our portfolio. The current value of the shareholding is £2.2 million. This is classified as "available for sale" meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement. In 2016/17 this amounted to a gain of £1.8 million. We also have a number of investment holdings where any movements in their values are not realised until they are disposed of. This year we have disposed of some holding generating a realised gain of £0.6 million as shown in note 5 on page 39. At 31 March each year we account for the current increase or decrease in its value by recognising this change as an unrealised gain or loss. At 31 March 2017 we recognised a total unrealised gain of £1.2 million in the Comprehensive Income and Expenditure Account.

**Treasury management**

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

We aim to achieve the optimum return on our investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest and make a return is unlawful and we do not engage in such activity. Our external fund managers comply with the Annual Investment Strategy. The agreement between us and the fund managers additionally stipulates additional guidelines and limits in order to manage risk.

**Note 38: Officers remuneration and termination benefits**

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

2015/16 Restated		Remuneration	2016/17					
Staff (revised total)			Staff		Staff Left in the Year		Revised Total	
Teaching	Other		Teaching	Other	Teaching	Other	Teaching	Other
79	65	£50,000 - £54,999	78	60	0	3	78	57
56	36	£55,000 - £59,999	55	38	1	2	54	36
31	10	£60,000 - £64,999	29	15	0	2	29	13
16	4	£65,000 - £69,999	22	11	0	2	22	9
13	18	£70,000 - £74,999	13	6	0	0	13	6
5	4	£75,000 - £79,999	5	15	0	0	5	15
4	2	£80,000 - £84,999	3	2	0	1	3	1
2	9	£85,000 - £89,999	3	2	0	0	3	2
1	1	£90,000 - £94,999	0	4	0	0	0	4
0	3	£95,000 - £99,999	0	2	0	0	0	2
0	0	£100,000 - £104,999	0	4	0	1	0	3
1	0	£105,000 - £109,999	0	0	0	0	0	0
0	0	£110,000 - £114,999	1	1	0	0	1	1
0	0	£115,000 - £119,999	0	0	0	0	0	0
0	0	£120,000 - £124,999	0	0	0	0	0	0
1	0	£125,000 - £129,999	0	0	0	0	0	0
0	0	£130,000 - £134,999	1	0	0	0	1	0
209	152		210	160	1	11	209	149

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

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

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

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

We are required to disclose the remuneration of senior employees, as defined by regulation, by post for salaries under £150,000 and by name for those whose salary is over £150,000. Remuneration for senior staff includes the employer's contribution to the appropriate pension fund.

Post holder information (post title and name)		Salaries (including fees and Allowances) £	Taxable Expense Allowances £	Compensation for loss of office £	Total excluding pension contributions £	Employer's Pension Contributions £	Total including pension contributions £
Chief Executive - Jim Graham (Note 1)	2015/16	172,866	0	0	172,866	30,252	203,118
	2016/17	148,171	0	0	148,171	27,041	175,212
Strategic Director, People Group (Note 2)	2015/16						
	2016/17						
Chief Fire Officer	2015/16	121,357	0	0	121,357	26,334	147,691
	2016/17	122,264	0	0	122,264	26,531	148,795
Strategic Director, Communities (Note 3)	2015/16	128,935	0	0	128,935	22,564	151,499
	2016/17	141,269	0	0	141,269	25,782	167,051
Strategic Director, Resources (Note 4)	2015/16	128,935	0	0	128,935	0	128,935
	2016/17	141,269	0	0	141,269	0	141,269
Head of Public Health - Dr John Linnane (Note 5)	2015/16	154,952	0	0	154,952	22,158	177,110
	2016/17	160,077	797	0	160,874	22,891	183,765
Head of Finance (Section 151 Officer)	2015/16	102,526	0	0	102,526	17,942	120,468
	2016/17	106,427	0	0	106,427	19,423	125,850
Head of Education & Learning (Chief Education Officer) (Note 6)	2015/16	86,572	0	0	86,572	15,150	101,722
	2016/17	89,954	0	0	89,954	16,417	106,371
<b>Total 2015/2016</b>		<b>896,143</b>	<b>0</b>	<b>0</b>	<b>896,143</b>	<b>134,400</b>	<b>1,030,543</b>
<b>Total 2016/2017</b>		<b>909,431</b>	<b>797</b>	<b>0</b>	<b>910,228</b>	<b>138,085</b>	<b>1,048,313</b>

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

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

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

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

Note 5: The standard salary for the Head of Public Health is £100,053. Additional payments for Clinical Excellence Award, Additional Programme Activity and the Director of Public Health role result in the total salary shown in the table.

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

**Note 39: Pension schemes****IAS 19 Accounting for pension costs: local authorities**

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

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

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

The table on page 74 shows details of the assumptions our actuaries have made when estimating the liabilities and other figures included in this note. The movement in reserves (see table on page 22) sets out the actuarial gains and losses made in 2016/17.

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

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

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

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

A table analysing our pension scheme accounting on page 76 shows the transactions that have been reflected in the Comprehensive Income and Expenditure Statement during the year.

When we assessed our liabilities for retirement benefits as at 31 March 2017, we used a rate based on the current rate of return on a corporate bond and for a length of time that matched the scheme's liabilities. The actuary has advised that the rates shown below are appropriate and has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, as shown in the table below.

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



### Teachers

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

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

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

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

There is no fund for teachers' discretionary benefits and so there are no assets. Our actuaries calculate our liabilities using the assumptions shown in the table on page 74 and their opinion on the life expectancy of people once they have retired.

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

### The Firefighters' Pension Scheme

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

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

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

The employees' and employers' contribution rates set by the Government for 2016/17 are between 11.0% and 17.0%/8.5% and 12.5%/10.0% and 14.5% (employees 1992 scheme / 2006 scheme / 2015 scheme) and

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

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

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

### **Firefighters Injury Awards Scheme**

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

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

We value liabilities at their present cost.

### **National Health Service Pension Scheme**

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

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

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

### **Local Government Pension Scheme - other employees**

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

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

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

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

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

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

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

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

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

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

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

We show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the assumptions in the table on page 74.

The post retirement mortality assumptions reflect the actuary's opinion on the life expectancy of people once they have retired, this year's assumptions are based on the Funds Vita Curves with improvements in line with the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum.

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

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

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

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

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

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

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2017, but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes.

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

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

While it is impossible to predict future asset returns with certainty, the model allows the actuary to simulate thousands of possible outcomes over the long term. In each of these outcomes, different asset classes will have different returns.

This means that they can use the many different outcomes to calculate central estimates for asset class returns (i.e. where 50% of returns are above and 50% are below the estimated). They also make assumptions about the expected uncertainty of these.

The expected rates of return quoted in the accounting schedules are based on a set of possible outcomes over a period of 20 years (as an approximation for the long term), starting at 31 March 2017. Different models will use different assumptions and will therefore produce different returns to that of the HRAM.

The only exception to the use of HRAM is in deriving the expected return on bond assets. The yields applicable on suitable bond indices as at 31 March 2017 are used instead of that calculated by HRAM.

For more information, please contact Mathew Dawson on 01926 412861 (email [mathewdawson@warwickshire.gov.uk](mailto:mathewdawson@warwickshire.gov.uk)) for a copy of our Pension Fund's Annual Report 2016/17.

31 March 2016				Pension scheme assumptions	31 March 2017			
LGPS	Teachers	Firefighters (Restated)	Firefighter Injury Award (Restated)		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				<b>Financial assumptions:</b>				
2.2%	2.2%	2.2%	2.2%	Rate of Inflation CPI	2.4%	2.4%	2.4%	2.4%
4.2%	4.2%	3.2%	3.2%	Salary Increase	3.0%	3.0%	3.4%	3.4%
2.2%	2.2%	2.2%	2.2%	Pensions increases	2.4%	2.4%	2.4%	2.4%
3.5%	3.5%	3.5%	3.5%	Rate of discount	2.6%	2.6%	2.6%	2.6%
				<b>Life expectancy assumptions:</b>				
22.4 (24.4)	22.4 (24.4)	22.4 (24.4)	22.4 (24.4)	A male (female) current pensioner aged 65	22.5 (24.7)	22.5 (24.7)	25.2 (26.7)	25.2 (26.7)
24.3 (26.6)	24.3 (26.6)	24.3 (26.6)	24.3 (26.6)	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.7)	24.3 (26.7)	26.6 (28.2)	26.6 (28.2)
				<b>Commutation of pension for lump sum at retirement:</b>				
75.0%	n/a	90.0%	90.0%	~ Taking maximum cash	75.0%	n/a	90.0%	90.0%
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0%	n/a	n/a	n/a

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

Change in assumptions as at 31 March 2017	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.5% decrease in real discount rate	10%	148.5
1 year increase in member life expectancy	3%	44.7
0.5% increase in the salary increase rate	2%	22.4
0.5% increase in the pension increase rate	8%	123.9

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



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



Firefighters	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2013/14	0.0	0.0	9.6	4.4	5.4	2.5	15.0
2014/15	0.0	0.0	-42.5	-16.4	8.0	3.1	-34.5
2015/16	0.0	0.0	22.8	9.8	10.0	4.3	32.8
2016/17	0.0	0.0	-45.4	-19.6	5.6	2.2	-39.8
<b>Total cumulative actuarial gains and losses (remeasurements recognised in CIES)</b>							<b>-26.5</b>

Firefighters Injury Awards	Difference experienced on assets		Difference experienced on liabilities		Changes in assumptions made at triennial valuations used to estimate liabilities		Total
	£ m	%	£ m	%	£ m	%	£ m
2013/14	0.0	0.0	-7.8	32.2	1.5	6.2	-6.3
2014/15	0.0	0.0	-3.5	-12.5	0.6	2.0	-3.0
2015/16	0.0	0.0	2.4	9.9	2.2	7.8	4.6
2016/17	0.0	0.0	-4.7	-16.7	7.1	25.3	2.4
<b>Total cumulative actuarial gains and losses (remeasurements recognised in CIES)</b>							<b>-2.3</b>

#### Note 40: PFI and other long term contracts

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

#### Note 41: Pooled budgets with health

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

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

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

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

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

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

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

Table may not sum due to roundings

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

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

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

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

#### **Note 42: Coventry and Warwickshire Business Rates Pool**

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

#### **Note 43: Related parties and associated parties**

##### Central Government

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

Elected Members

Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2016/17 is shown in note 36 on page 59. During 2016/17 works and services to the value of £31.5 million were paid to companies in which elected members had an interest (this includes £11.7 million paid to District and Borough Councils in Warwickshire where they are also elected members). Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body, including any made to organisations whose senior management included close members of the families of elected members. In all instances grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members Interest, open to public inspection at Shire Hall.

Senior Officers

During 2016/17 no payments were made to organisations in which senior officers or members of their families had declared an interest.

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

Other Public Bodies

At the end of the year we owed £17.0 million to other local authorities, central government and public bodies including £5.4 million to Her Majesty's Revenue and Customs, and they owed us £20.4 million including £4.1 million from Her Majesty's Revenue and Customs (VAT).

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

Other Entities

We hold shares in the following companies:

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Note 44: Trading accounts**

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

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

The spending in the table is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the required accounting treatment of IAS 19 pension costs (to reflect the actual costs of pensions decisions they have taken in the current year). The total value of this adjustment is £0.6 million (£1.3 million in 2015/16).

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

Table may not sum due to roundings

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

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

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



## The Firefighters' Pension Fund

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

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

### Notes to the Firefighters' Pension Fund statements

#### Note 1: Fund operations

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

The pension fund is balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. An amount of 80% of the estimated grant needed each year is paid to the fund by the Government during the year. The balance is only paid

once the Pensions statement has been audited by our external auditors and a claim, certified by the Head of Finance, is submitted to the Government.

Note 2: Accounting policies

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

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

Note 3: Liabilities

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

Note 4: Contribution levels

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

Note 5: AVC's and added years

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

Note 6: Debtors and creditors

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

## Glossary

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

### **Accruals**

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

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

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

### **Acquisition costs**

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

### **Amortisation**

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

### **Asset**

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

### **Benefits we have awarded for added years**

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

### **Billing authority**

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

### **Budget**

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

### **Business rates (National Non-Domestic Rates – NNDR)**

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

### **Capital fund**

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

### **Capital Adjustment Account**

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

### **Capital instruments**

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

### **Capital programme**

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

### **Capital receipts**

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

**Capital spending**

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

**Capitalised**

Assets that are capitalised are added to the balance sheet.

**Capital spending met from revenue**

Paying for capital spending direct from revenue.

**Cash-flow statement**

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

**CIPFA**

Chartered Institute of Public Finance and Accountancy

**Commutation/commutating**

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

**Contingent asset**

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

**Contingent liability**

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

**Corporate and democratic core costs**

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

**Council tax**

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

**Creditors**

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

**Current assets**

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

**Current liabilities**

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

**Current service cost**

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

**Curtailment costs**

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

**Debtors**

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

**Depreciation**

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

**Disclosure**

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

**Earmarked reserves**

Money set aside for a specific purpose.

**Fair value**

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

**General reserves**

Money set aside to be used in the future.

**Government grants**

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

**Gross spending**

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

**International Financial Reporting Standard (IFRS)**

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

**Liabilities**

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

**Material related-party transactions**

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

**Minimum revenue provision (MRP)**

The amount we have to set aside to repay loans.

**Net asset value**

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

**Net book value**

The value of an asset after depreciation.

**Net interest cost**

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

**Net spending**

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

**Non-distributed costs**

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

**Notional**

An accounting entry where there is no actual cash transfer.

**Operating leases**

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

**Overheads**

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

**Past service costs**

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

**Pensions interest cost and expected return on assets**

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

**Precept**

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

**Provisions**

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

**PWLB**

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

**Recharges**

Charges for services that we have provided.

**Reconciliation**

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

**Regeneration**

Breathing new life into the local economy.

**Reimbursements**

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

**Reserves and funds**

Savings we have built up from surpluses.

**Restated**

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

**Return on assets**

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

**Revaluation Reserve**

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

**Revenue spending**

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

**Revenue expenditure funded by capital under statute (REFCUS)**

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

**Revenue Support Grant**

The main government grant to support local-authority services.

**Reversed out**

An item of income or expenditure is taken back out.

**Settlement costs**

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

**Soft loans**

Loans made at less than the market rate of interest.

**Specific grants**

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

**Stock and stores (Inventories)**

Goods bought which have not been used.

**Surplus**

The remainder after taking away all expenses from income.

**Unrealised**

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

**Unquoted securities**

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

# **Annual Governance Statement**

Year ended 31 March 2017





