Warwickshire County Council

Statement of Accounts

Warwickshire County Council

Introduction

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

A. Organisational overview and operational model

In February 2017 our 2017-2020 One Organisation Plan was approved. It is a single, policy-led plan that sets out a clear and compelling vision for Warwickshire, setting out clearly where we need to get to by 2020 and how we are going to get there. The One Organisational Plan provides the necessary framework to deliver change management and transformation and to ensure clear line of sight delivery of the Council's Core Purpose and Outcomes. Our core purpose is that:

We want to make Warwickshire the best it can be.

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

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

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

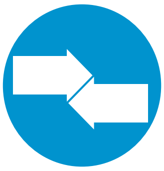
- Children and adults have access to quality learning throughout their lives
- Young people are supported to access apprenticeships and employment
- Warwickshire is an attractive place to do business with a strong local economy and infrastructure
- Our communities and businesses are thriving and prosperous

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

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

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

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



Moving towards an integrated health and care model

Creating a future vision for children and families

Developing community capacity

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

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

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

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

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

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

B. Resourcing our activities

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

Revenue and capital spending

We spend taxpayer resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Most of our salary costs are included in revenue expenditure. Our capital spending relates to items we have bought, created or improved and which will be used for more than one year. An amount is charged to our revenue accounts each year to reflect a cost equivalent to the economic use of such assets in that year to reflect the fact that services cannot be provided without spending on assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Savings and efficiencies

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

Reserves

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

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

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

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

Borrowing and investments

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

Pensions

The majority of the Council's employees are members of the Warwickshire Local Government Pension Scheme, and the Council administers the fund that supports the Scheme. As a defined benefit scheme, the Scheme is shown as a long-term liability in our accounts. However, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and means that our financial position remains healthy.

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

Management of Risk

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

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

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

C. Our performance in 2017/18

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

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

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

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

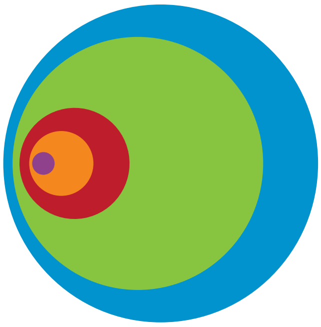
Further information on our overall organisational performance can be found in the One Organisational Plan Year End Progress Report 2017/18 on our website **www.warwickshire.gov.uk**.

Financial Performance

Revenue income and expenditure

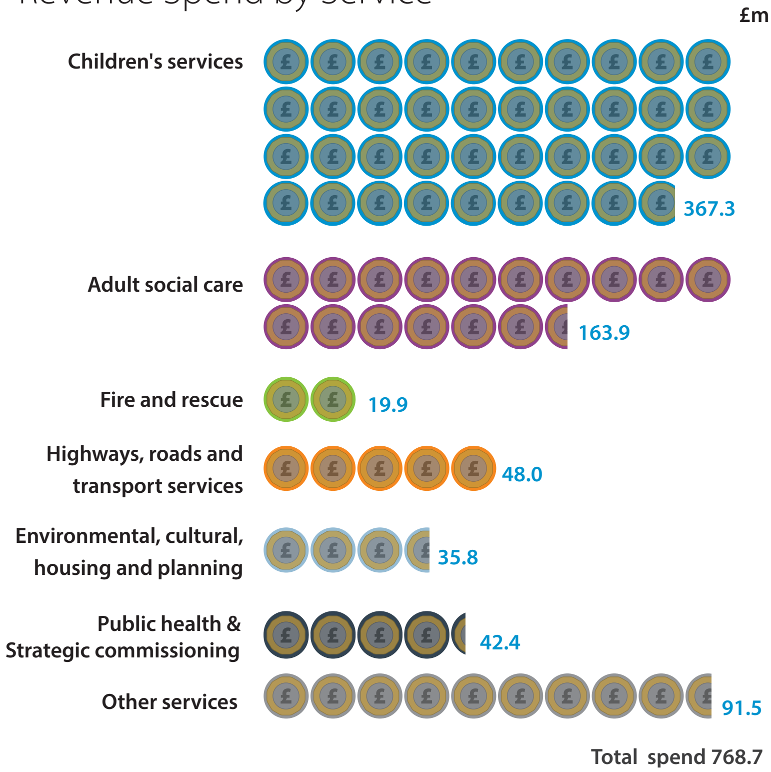
Our total revenue income in 2017/18 was £782.1 million. The main sources of revenue income received in 2017/18 to support the revenue budget of our services are shown in the chart on the right.

Revenue Income



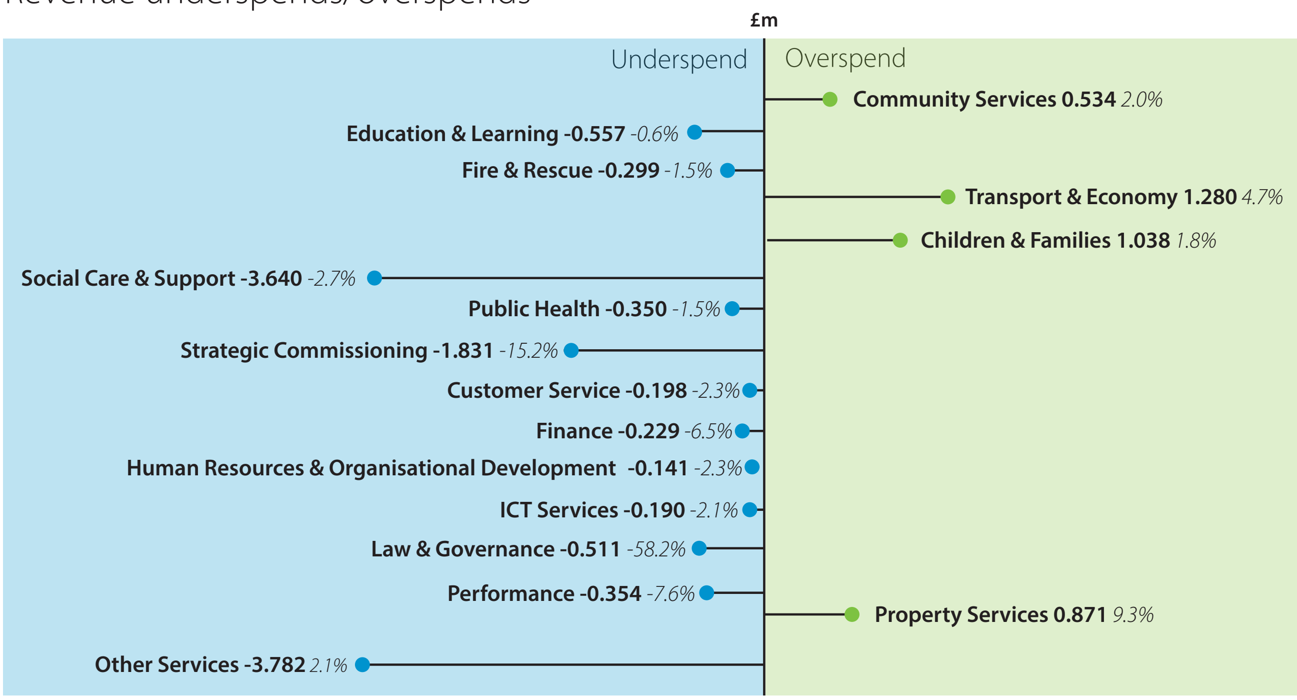
	£m	
Customer and client receipts	112.9	*14.6%*
Grants	324.6	*41.9%*
Council tax (inc. Adult Social Care levy)	257.9	*33.3%*
Revenue support grant	20.4	*2.6%*
Business rates	66.3	*8.6%*

Revenue Spend by Service

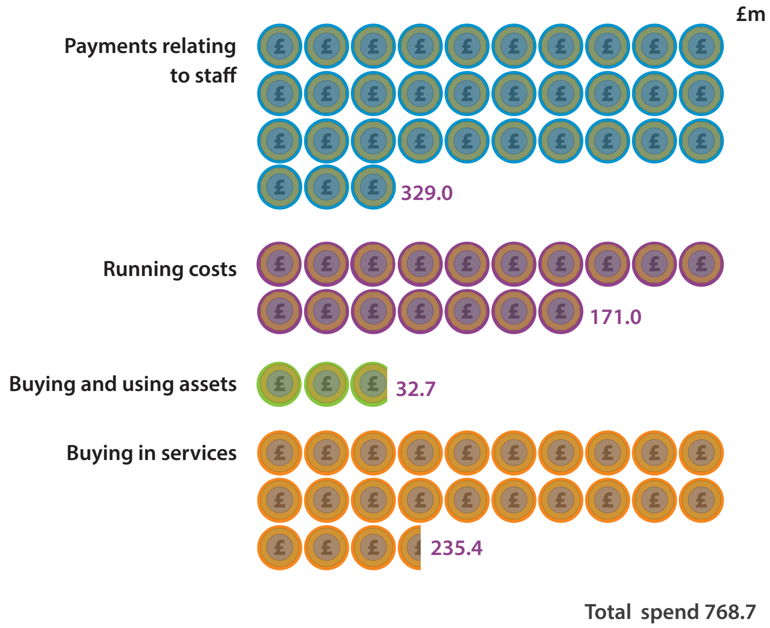


We have spent £532.6 million of this revenue income to finance the various services we provide (excluding schools), as illustrated in the charts to the left. The £532.6 million, schools spending (£236.0 million) and net technical adjustments that are not part of our management accounts of £119.5 million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

Revenue underspends/overspends



Revenue Spend by Type

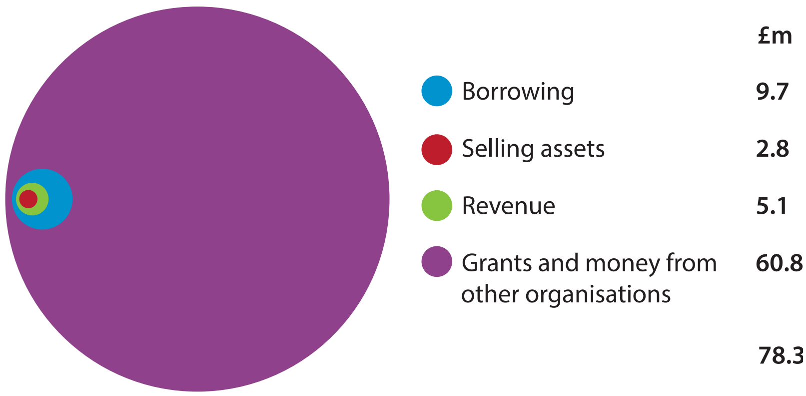


We planned to use £10.6 million of our reserves to support the delivery of services in 2017/18. However services, spent £14.6 million less than their cash-limited budget (including a schools overspend of £2.2 million); when combined with the £9.4 million additional government grant received during the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

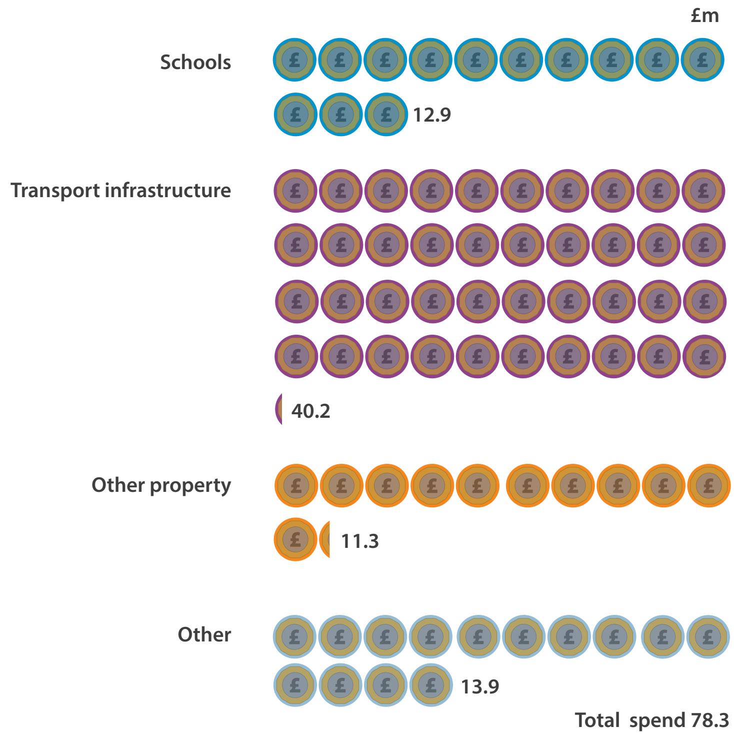
Capital spending and the value of our assets

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

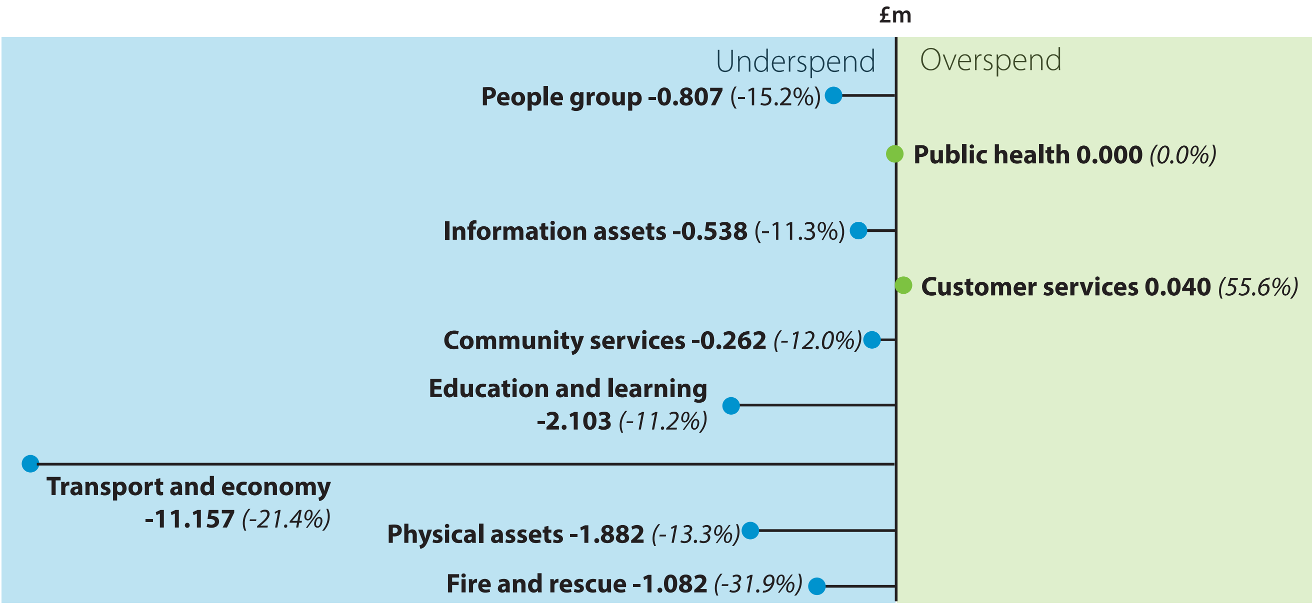
Capital Financing



Capital Spend



Capital underspends/overspends



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

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

Savings and efficiencies

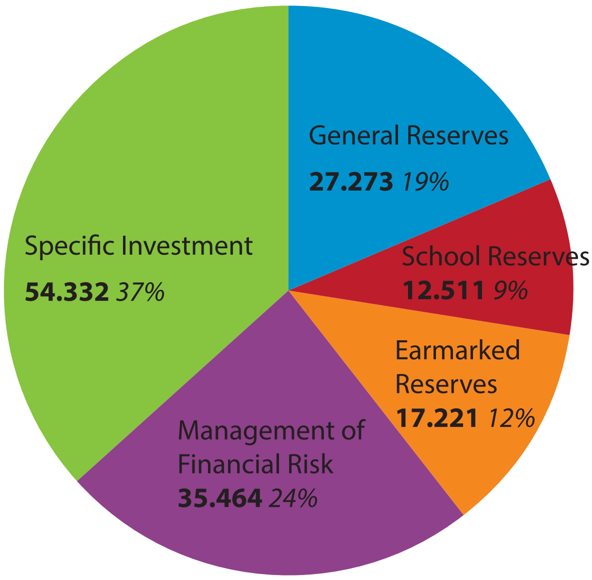
2017/18 was the first year of the One Organisational Plan. Implementation of this plan (as updated in February 2018) requires savings of £57.0 million to be delivered, of which £29.2 million had been delivered by the end of 2017/18. These savings were spread across a number of areas. Some of the larger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

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

Reserves

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

Reserves Position



Borrowing and Investments

Whilst the average rate that financial institutions lend money to each other was 0.21% during 2017/18, our treasury management activity generated a better average interest on investments of 0.84%. We have managed the Council's money prudently, with investments made to the UK Debt Management Office and to other local authorities in line with our Treasury Management Strategy. Our long-term debt outstanding is £352 million at 31 March 2018, the same as a year previously, and at 31 March 2018 we are holding £190.3 million of cash or cash equivalents, an increase of £27.5 million from the previous year

Pensions

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

D. Outlook

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

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

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

E. Basis of preparation and presentation

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

Core Financial Statements

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

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

Statement of accounting policies

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

Notes to the core financial statements

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

F. Other sections of the document

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

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

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

John Betts
Head of Finance

Warwickshire County Council

Statement of Accounts

2017/18

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

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

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

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

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

Contents

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

(to be completed)

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

(to be completed)

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

(to be completed)

Statement of responsibilities for the statement of accounts

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

Responsibilities of the Council

We do the following:

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

Responsibilities of the Head of Finance

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

In preparing our statement of accounts, I have:

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

I have also:

- Kept proper accounting records which are up to date; and
- Taken steps to prevent and detect fraud and other irregularities.

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

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

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

Comprehensive Income and Expenditure Statement

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

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

To arrive at the figures for each group in the table above we adjust the income and expenditure figures used internally to report our financial performance as required by the Code and regulations. A reconciliation of these adjustments and more details as to what each adjustment relates to are shown in the Expenditure and Funding Analysis (Note 1) and the Adjustments between accounting basis and funding basis under regulations (Note 2) in conjunction with the Movement in Reserves Statement.

Movement in Reserves Statement

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

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

Balance Sheet as at 31 March 2018

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

John Betts
Head of Finance
26 July 2018

Cash Flow Statement

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

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

Statement of accounting policies

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

General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2017/18 ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of income and expenditure

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

Assets held for sale

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

Apprenticeship Levy

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

Cash and cash equivalents

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

Contingent assets

We identify contingent assets where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 33. These are not included in our Balance Sheet.

Contingent liabilities

We identify contingent liabilities where either:

- A possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control or,

- A present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Our contingent liabilities disclosure is shown in note 34. These are not included in our Balance Sheet.

Employee benefits

Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

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

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

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

All four pension schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes, our accounting policies in relation to them and their impact on the financial statements are shown in note 38.

Events after the Balance Sheet date

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

Exceptional items, prior period adjustments and changes to accounting policies

Exceptional items are material items of income or expenditure that are disclosed separately in the CIES to aid understanding of our financial performance.

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

Fair value

We value our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2017/18 fair value applies to non-operational property, plant and equipment classified as surplus assets, investment properties, assets held for sale and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates or subjective valuations. We assess the level of uncertainty in our valuations by assigning our assets into three categories:-

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

Further detail is shown in notes 11 and 16.

Financial assets

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

<u>Loans and receivables</u>

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

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

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

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

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

<u>Available-for-sale assets</u>

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

Financial liabilities

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

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

Going Concern

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

Grants

Grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. General grants we receive, such as Revenue Support Grant, are shown as Taxation and non-specific grant income in the CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent it is held in an earmarked reserve.

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

Group Accounts

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

Heritage assets

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

Income from selling non-current assets

We use the income from selling non-current assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. We show the gain or loss on the sale of assets in the CIES. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the CIES, regardless of whether all the proceeds of the related sale have been received. We use up to 4% of a capital receipt to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation) and the sale proceeds are also reversed in the MIRS and transferred to the Capital Adjustment Account so the level of council tax is not affected.

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

Intangible assets

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

Inventories

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

Investment property

Investment property assets are those held for rental purposes or capital value appreciation or both. They are not used for the delivery of services. Such assets are initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. Gains and losses on revaluation, as well as disposal and/or rental income, are shown in the Financing and investment income and expenditure line in the CIES.

Leases

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

Finance leases

We deal with finance leases where we are the lessee in the same way as other capital spending. We include these as assets in the Balance Sheet and charge depreciation on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the CIES.

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

Operating leases

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

Where we grant an operating lease over a property or item of plant or equipment, the asset is retained on the Balance Sheet and the rental income is credited to the CIES as it is due.

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

Minimum Revenue Provision

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

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

Overheads and support service costs

In accordance with the CIPFA Service Reporting Code of Practice 2017/18 all support service costs are apportioned fully to services on a relevant basis. These include employee numbers, IT network access users and gross spend. The two categories of cost that are not charged out to services are corporate and democratic core costs (shown as Other services in the CIES) and non-distributed costs.

Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our valuation process is led by the Council's Strategic Asset Management team, who commission external valuers as needed.

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

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

- We include infrastructure assets, such as roads and bridges and community assets, vehicles and equipment in the Balance Sheet at the amount they cost when brought into use less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value.
- Assets under construction are held in the Balance Sheet at the cost incurred on their production to date. When the asset is deemed operationally complete the balance is transferred to the appropriate asset class shown above and depreciation begins.

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

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

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

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

The cost of depreciation is calculated by the following methodology:

- Our new assets are depreciated from the start of the financial year after they become operationally complete.
- Depreciation is calculated on a straight-line basis meaning that an asset's value falls equally each year throughout its life. If the gross value or remaining life of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.
- We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

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

The estimated useful economic lives of our land and buildings are assessed by our valuers as part of the revaluation of these assets.

Provisions

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

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

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

Reserves

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

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

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

- The capital accounting system requires us to maintain a Revaluation Reserve to reflect unrealised gains on non-current assets, and a Capital Adjustment Account to manage timing differences between their usage and financing.
- We maintain a Collection Fund Adjustment Account which holds the difference between the amount required to be shown in the CIES for council tax and business rates and that required by legislation to be taken against the General Fund.
- We maintain a Compensated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax.
- We maintain a Pensions Reserve to hold the difference between any increase in the accounting cost of pensions in the year and the statutory figure chargeable in any year, which is the contribution made by the authority.

Revenue expenditure funded from capital under statute

We undertake some capital spending during the year that does not result in the creation of an asset we own. Any money we spend this way must be charged to the CIES but is funded from capital resources rather than council tax. To make sure that the council tax is not affected, we make an adjustment in the MIRS equal to the expenditure to reverse this to the Capital Adjustment Account.

Schools and schools assets

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income. We are subject to Partial Exemption: as long as the VAT we claim on purchases used to generate exempt income is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

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

Notes to the Core Financial Statements

Note 1: Expenditure and Funding Analysis and associated notes

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

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

The above table shows the Fire Service as a separate service as this was its position when the 2017/18 budgets were approved and for all in-year monitoring reports. It is now included in the Communities Group. The General Fund balances above include a significant proportion of earmarked reserves including those held by schools. For more details and information see the Movement in Reserves Statement and Note 2 to the accounts.

Notes to the Expenditure and Funding Analysis

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

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

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

a) Adjustments for capital purposes – this column adds in depreciation, impairment and revaluation gains and losses as well as Revenue expenditure funded by capital under statute and capital grants used to fund that expenditure to the service lines within the Comprehensive Income and Expenditure Account. It also includes:

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

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

- **For services –** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement of current service costs and past service costs as a result of employee service.

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

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

- Taxation and non-specific grant income and expenditure – the difference between what is chargeable under statutory regulations for Council Tax and Business Rates and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund. Revenue grants that are receivable without conditions or service-specific stipulation are required to be shown within this line rather than within the Net Cost of Services.

Expenditure and Income Analysed by Nature

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

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

Adjustments between accounting basis and funding basis under regulations - 2017/18	General Fund Balance £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):				
~ Charges for depreciation of non-current assets	42.9			-42.9
~ Revaluation losses on property, plant and equipment assets	94.7			-94.7
~ Gain on held for sale assets	0.0			0.0
~ Movements in the market value of investment properties	-1.2			1.2
~ Amortisation of intangible assets	0.5			-0.5
~ Capital grants and contributions applied	-60.8			60.8
~ Revenue expenditure funded from capital under statute	14.9			-14.9
~ Amounts of non-current assets written off on disposal to the CIES	75.4			-75.4
~ Non-current assets - disposal proceeds not yet received	-2.7			2.7
Insertion of items not debited or credited to the CIES				
~ Minimum Revenue Provision	-12.5			12.5
~ Capital expenditure charged to the General Fund Balance	-5.1			5.1
Adjustments primarily involving the Capital Grants Unapplied Account				
~ Capital Grants and contributions unapplied credited to the CIES	2.5		-2.5	0.0
~ Application of Capital Grants to the Capital Adjustment Account	-1.3		1.3	0.0
Adjustments primarily involving the Capital Receipts Reserve				
~ Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-2.8	2.8	0.0	0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure		-2.8		2.8
Adjustments primarily involving the Financial Instruments Adjustment Account				
~ Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.0			0.0
Adjustments primarily involving the Pensions Reserve				
~ Grant funding of fire fighters' pension liabilities	-4.6			4.6
~ Reversal of net charges made for retirement benefits in accordance with IAS19	75.4			-75.4
~ Employer's pensions contributions and direct payments to pensioners payable in the year	-39.3			39.3
Adjustments primarily involving the Collection Fund Adjustment Account				
~ Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-0.7			0.7
~ Amount by which business rates income credited to the CIES is different from business rates income calculated for the year in accordance with statutory requirements	-0.4			0.4
Adjustment primarily involving the Accumulated Absences Account				
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.3			-0.3
Total adjustments	**175.4**	**0.0**	**-1.2**	**-174.2**

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

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

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

There has been no significant restatement of prior year figures.

Note 4: Other operating expenditure

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

Note 5: Financing and investment income and expenditure

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

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

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

Note 7: Transfers to/from earmarked reserves

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

The money that Business Units set aside is held to make sure that they can meet future known budget commitments, and that services will have the resources to react to any unexpected events. Details of reserves allocated to the Council's business units can be found in the One Organisational Plan Progress Report, available at https://www.warwickshire.gov.uk.

Note 8: Property, plant and equipment

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

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

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

Depreciation

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

Capital commitments

At 31 March 2018, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for is £36.7 million. Similar commitments at 31 March 2017 were £22.9 million.

The three largest outstanding commitments are as follows:

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

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

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

Revaluations	Land and buildings £ m	Surplus Assets £ m	Vehicles, machinery, furniture and equipment £ m	Roands and bridges £ m	Country parks and open spaces £ m	Assets under construction £ m	Total £ m
Carried at historical cost	**0.0**	**0.0**	**10.7**	**404.8**	**2.8**	**34.7**	**453.0**
Valued at current value as at:							
31st March 2018	571.4	0.2	0.0	0.0	0.0	0.0	**571.6**
31st March 2017	4.2	0.0	0.0	0.0	0.0	0.0	**4.2**
31st March 2016	3.0	0.0	0.0	0.0	0.0	0.0	**3.0**
31st March 2015	5.7	0.0	0.0	0.0	0.0	0.0	**5.7**
31st March 2014	87.3	0.0	0.0	0.0	0.0	0.0	**87.3**
Total cost or valuation	**671.6**	**0.2**	**10.7**	**404.8**	**2.8**	**34.7**	**1,124.8**

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

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

Note 9: School property, plant and equipment

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

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

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

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

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

Note 10: Heritage assets

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

Note 11: Investment properties

We have classified a number of properties as investment properties, most of which are leased out to third parties under operating leases.

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

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

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

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

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

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

Note 12: Intangible Assets

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

All software is valued at historic cost. We own a number of software licences across the authority which are written off to revenue over their expected useful lives (between 3 and 10 years). The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.5 million (£0.5 million in 2016/17) charged to revenue in 2017/18 was charged to a number of services, some of which was absorbed as an overhead and charged across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

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

Note 13: Financial instruments

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

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

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

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

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

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

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

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

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

Available-for-sale financial assets are valued internally using the earnings multiple valuation method based on the latest available accounts for the companies in which we hold shares. Where that data is not available they are valued at cost. The total value of these holdings is £2.0 million at 31 March 2018.

In assessing fair value we have made the following assumptions:

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

There have been no transfers between input levels in 2017/18 and no changes in the valuation techniques for financial instruments during the year.

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

Financial Instruments - Fair value 31 March 2018	**Quoted Market Price - Level 1 £ m**	**Using Observable Inputs - Level 2 £ m**	**Unobservable Inputs - Level 3 £ m**	**Total £ m**
Financial Assets:-				
~ Investments - Loans and receivables (carried at cost plus accrued interest)	0.0	50.4	0.0	50.4
~ Available-for-sale financial assets	0.0	43.4	2.0	45.4
Debtors				0.0
- Financial assets carried at contractual amounts (deemed to be fair value)	43.1	0.0	0.0	43.1
Cash:-				
- Loans and receivables (cash and cash equivalents) - deemed to be fair value	190.3	0.0	0.0	190.3
Total Financial Assets	**233.4**	**93.8**	**2.0**	**329.2**
Financial Liabilities:-				
Borrowings:-				
- Financial liabilities carried at amortised cost	0.0	543.9	0.0	543.9
Creditors:-				
- Financial liabilities carried at contractual amounts (deemed to be fair value)	73.2	0.0	0.0	73.2
Total Financial Liabilities	**73.2**	**543.9**	**0.0**	**617.1**

Financial Instruments - Fair value 31 March 2017 (Restated)	**Quoted Market Price - Level 1 £ m**	**Using Observable Inputs - Level 2 £ m**	**Unobservable Inputs - Level 3 £ m**	**Total £ m**
Financial Assets:-				
~ Investments - Loans and receivables (carried at cost plus accrued interest)	0.0	30.2	0.0	30.2
~ Available-for-sale financial assets	0.0	43.8	2.2	46.0
Debtors				
- Financial assets carried at contractual amounts (deemed to be fair value)	36.7	0.0	0.0	36.7
Cash:-				
- Loans and receivables (cash and cash equivalents) - deemed to be fair value	162.7	0.0	0.0	162.7
Total Financial Assets	**199.4**	**74.0**	**2.2**	**275.6**
Financial Liabilities:-				
Borrowings:-				
- Financial liabilities carried at amortised cost	0.0	542.2	0.0	542.2
Creditors:-				
- Financial liabilities carried at contractual amounts (deemed to be fair value)	67.3	0.0	0.0	67.3
Total Financial Liabilities	**67.3**	**542.2**	**0.0**	**609.5**

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

Note 14: Debtors

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

Note 15: Cash and cash equivalents

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

Note 16: Assets held for sale

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

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

Note 17: Creditors

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

Note 18: Provisions

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

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

We have to account for our share of non domestic rating appeals that are still to be resolved by the Valuation Office Agency for the District and Borough Councils in Warwickshire. We cannot predict when these appeals may be raised or settled, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £3.6 million.

We have reassessed the balance of liabilities between the county council and the Firefighters' Pension Fund. Some of the final costs are still uncertain and so a provision of £0.6 million has been included.

We have had to plan to reduce our staff numbers to deliver our savings programme over the next four years. We have accounted for these employment costs but only where the decisions taken are irreversible. This and all other provisions, totalling £1.8 million, are individually insignificant.

Note 19: Usable Reserves

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

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

Note 20: Unusable Reserves

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

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

- The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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

Financial Instruments Adjustment Account

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

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

31 March 2017 £ m	Financial Instruments Adjustment Account	31 March 2018 £ m
0.1	Balance on 1 April	0.0
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	0.0
0.0	**Balance on 31 March**	**0.0**

Available for Sale Financial Instruments Reserve

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

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

31 March 2017 £ m	Available for Sale Financial Instruments Reserve	31 March 2018 £ m
2.1	Balance on 1 April	5.1
1.2	Unrealised gains/losses on financial assets not charged to the surplus/deficit on the provision of services	-0.3
1.8	Movement in valuation of investments not charged to Surplus/Deficit on the provision of services	-0.2
5.1	**Balance on 31 March**	**4.5**

Accumulated Absences Account

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

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

Collection Fund Adjustment Account

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

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. We account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed, as we make employer's contributions to pension funds or eventually pay any pensions for which we are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources we have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

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

Note 21: Cash Flow Statement – operating activities

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

Note 22: Cash Flow Statement – investing activities

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

Note 23: Cash Flow Statement – financing activities

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

Note 24: Grant Income

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

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

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

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

The balances at year end are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

The items in our Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation and carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £3.4 million for every year that useful lives are reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £152.1 million. See note 38 for further examples. During 2017/18, our actuaries advised that the net pensions' liability has decreased by £14.8 million mainly as a result of an actuarial gain.
Fair Value	It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs). For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date and for level 3 inputs we use the most recent valuations. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. Where Level 1 inputs are not available, we use valuers to identify the most appropriate valuation techniques to determine fair value.	We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale. The unobservable inputs used in the fair value measurement include assumptions regarding rent growth and occupancy levels. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.

Note 27: Capital expenditure and capital financing

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

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

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

Note 28: Critical judgements in applying accounting policies

In applying our accounting policies as set out at the start of this document, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

- When a school that is held on our Balance Sheet transfers to academy status we account for this as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed.

- Details of our relationships with other companies and investments in companies are detailed in note 41. These are not material and we have not prepared group accounts on this basis.

Note 29: Dedicated Schools' Grant

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

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The DSG figure is as confirmed by the Department for Education in March 2018. The 2017/18 early years adjustment has yet to be announced.

We confirm that the Dedicated Schools' Grant received in 2017/18 was £233.9 million (made under section 14 of the Education Act 2002). It has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45A, 45AA, 47, 47ZA, 47A, 48, 49 and 138(7) of, and paragraph 2(B) of schedule 14 to, the Schools Standards and Framework Act 1998 and section 24(3) of the Education Act 2002.

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

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

Note 30: Events after the Balance Sheet date

As a result of the Government's white paper 'The Importance of Teaching', which allows Schools to opt out of local government control by becoming academies, twelve Warwickshire schools chose to take up the new academy status in 2017/18 and a further eighteen Warwickshire schools are anticipated to also convert to academy status in 2018/19 and beyond. Eleven community schools, five voluntary controlled or voluntary aided schools and two foundation schools have applied to the Department for Education to convert to academy status after 1 April 2018. The significance of the conversion of these schools to academy is that the value of the land, buildings and any vehicles, plant and equipment will be removed from our Balance Sheet at the date of conversion. The value of the derecognition of the current schools looking to convert to academy status after 31 March 2018 will be in the region of £108 million.

Note 31: External audit costs

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

Note 32: Leases

Authority as lessee

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

Authority as lessor

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

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

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

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

Note 33: Contingent assets

We currently have no contingent assets.

Note 34: Contingent liabilities

We have an ongoing dispute with a civil engineering contractor.

Note 35: Members' allowances

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

Note 36: Nature and extent of risk arising from financial instruments

Our activities expose us to a variety of financial risks:

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

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

Credit risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score as laid out in the Treasury Management Strategy.

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

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

Liquidity risk
As we have ready access to borrowings from the Public Works Loan Board, there is no significant risk that we will be unable to raise finance to meet our future commitments under financial instruments. Instead the risk is that we will be

bound to replenish a significant proportion of our borrowings at a time of unfavourable interest rates. To mitigate this, our strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period.
The maturity analysis of financial liabilities is as follows:

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

Our level of borrowing is due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2017/18 to pay for new capital spending.

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

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

Market risk

Interest Rate Risk

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

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

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

We have an active strategy for assessing interest rates exposure that allows for any adverse changes to be incorporated into the budget on a quarterly basis. According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- A decrease in the fair value of fixed rate investment assets of £0 million (£0 million in 2016/17)
- A decrease in fair value of fixed borrowing of £85.9 million (£89.3 million in 2016/17).

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

Price risk

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

Treasury management

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

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

Note 37: Officers remuneration and termination benefits

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

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

A number of employees left during 2017/18, incurring costs of £1.8 million (£2.5 million in 2016/17). None of this relates to senior staff. This cost includes officers who have left as part of on-going savings and efficiency plans. See table below for details.

Exit Package Cost Band (including Special Payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band £ m	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	11	2	86	95	97	97	0.596	0.571
£20,001 - £40,000	5	0	16	14	21	14	0.587	0.379
£40,001 - £60,000	1	0	12	4	13	4	0.587	0.183
£60,001 - £80,000	0	1	3	2	3	3	0.207	0.202
£80,001 - £100,000	0	0	1	0	1	0	0.082	0.000
£100,001 - £150,000	0	0	2	1	2	1	0.257	0.128
£150,001 - £200,000	0	0	0	0	0	0	0.000	0.000
£200,001 - £250,000	0	0	1	0	1	0	0.207	0.000
£250,001 - £300,000	0		0	1	0	1	0.000	0.291
	17	**3**	**121**	**117**	**138**	**120**	**2.523**	**1.754**

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

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

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

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

Note 2: Strategic Director, Communities took on the role of Joint Managing Director from 4 February 2017.

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

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

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

Note 6: The standard salary for the Head of Public Health is £101,451. Additional payments for Clinical Excellence Award, Additional Programme Activity and the Director of Public Health role result in the total salary shown in the table.

Note 7: The Head of Education and Learning (Chief Education Officer) was seconded to the Department for Education from 1 October 2016. The full salary for the year is shown above as he remained a county council employee although his costs were reimbursed. A new Head of Education and Learning joined the authority on an interim basis from 1 October 2016. Payment via an agency for the period October 2016 to March 2017 was £61,675. A new Head of Education and Learning started on 25 September 2017. The annualised salary for 2017/2018 was £82,390.

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

Note 38: Pension schemes

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

Pension Schemes operated by the Council

Teachers
We operate a pension scheme for our teaching staff, under the Superannuation Act 1972. The scheme provides teachers with a defined benefit when they retire. The Teachers' Pensions Agency manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The Government sets teachers' and employers' contribution rates on the basis of an assumed fund. The scheme has a large number of participating employers and so we are not able to identify our share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of our Statement of Accounts, the scheme is therefore accounted for on the same basis as a defined contribution scheme.

We may be required to make two kinds of contributions to the scheme – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if the Government found that future liabilities would not be met by the normal contributions. A supplementary contribution is not needed at present. Our total employer's contribution cost was £13.1 million in 2017/18 (£14.4 million in 2016/17).

We are also responsible for paying any extra added years of benefits and early retirement costs to pensioners. These extra costs are classed as defined benefits. As a result, in our accounts we show the extra cost of pensions decisions we made in the current year, no matter when we will actually pay these financial costs. There is no fund for these discretionary benefits and so there are no assets. In 2017/18 the payments relating to added pensionable years came to £3.0 million (£2.9 million in 2016/17). We made no payments relating to early retirement in 2017/18 or 2016/17.

Firefighters
There is a defined benefit pension scheme for our firefighters, under the Superannuation Act 1972. The Firefighters' Pension Scheme in England is an unfunded scheme where we promise to provide employees with benefits under the scheme but make no advance funding in the scheme for those benefits. Benefits are paid directly when they become due.

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

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

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

Firefighters' Injury Awards Scheme
Firefighters' injury awards are financed from our revenue account. An ongoing liability to pay injury awards is included in our Balance Sheet. This liability is subject to the same actuarial assumptions as the main firefighters' scheme, though it is not a separate pension scheme as there is a benefit paid whether the recipient of the injury award is a member of the scheme or not. However, the liability forms part of our overall pensions' liability.

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

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

In 2017/18 we paid £0.184 million (£0.248 million in 2016/17) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees' contributions.

Local Government Pension Scheme – all other Council employees
We operate a funded, defined benefit pension scheme for staff, under the Local Government Pensions Scheme Regulations 2013. We manage the scheme for ourselves, the five district councils and a number of other organisations. We prepare the accounts but they are separate from the Council's financial statements. The Council and employees pay contributions into the fund calculated at a level intended to balance pension liabilities with investment assets.

An actuarial valuation is carried out every three years to assess the difference between the fund's projected assets and liabilities and the amount employers will have to contribute for the next three years. The valuation on 31 March 2016 set the rates for 2017/18, 2018/19 and 2019/20.

In the valuation carried out as at 31 March 2016 the funding level increased from 77% to 82%. As a result, the employers' rate is expected to increase by 0.75% per annum until 2019/20. In 2017/18, we made normal employer's contributions totalling £25.4 million (£25.3 million in 2016/17).

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

The value of the Council's LGPS assets at 31 March 2018 is based on the market value at 31 December 2017. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the Balance Sheet date. There were re-measurements as a result of a difference between expected and actual returns on assets which amounted to 0.25% of the value of assets at 31 March 2018.

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

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

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

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

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2018, but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes. The assumption used is the average of the assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The Impact of Pensions in our Accounts

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

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

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

31 March 2017				Pension scheme assumptions	31 March 2018			
LGPS	Teachers	Firefighters	Firefighter Injury Award		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				Financial assumptions:				
2.4%	2.4%	2.4%	2.4%	Rate of Inflation CPI	2.4%	2.4%	2.4%	2.4%
3.0%	3.0%	3.4%	3.4%	Salary Increase	3.0%	3.0%	3.4%	3.4%
2.4%	2.4%	2.4%	2.4%	Pensions increases	2.4%	2.4%	2.4%	2.4%
2.6%	2.6%	2.6%	2.6%	Rate of discount	2.7%	2.7%	2.7%	2.7%
				Life expectancy assumptions:				
22.5 (24.7)	22.5 (24.7)	25.2 (26.7)	25.2 (26.7)	A male (female) current pensioner aged 65	22.5 (24.7)	22.5 (24.7)	29.5 (31.5)	29.5 (31.5)
24.3 (26.7)	24.3 (26.7)	26.6 (28.2)	26.6 (28.2)	A male (female) future pensioner aged 65 in 20 years time	24.3 (26.7)	24.3 (26.7)	30.8 (32.8)	30.8 (32.8)
				Commutation of pension for lump sum at retirement:				
75.0%	n/a	90.0%	90.0%	~ Taking maximum cash	75.0%	n/a	90.0%	90.0%
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0%	n/a	n/a	n/a

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

Change in assumptions as at 31 March 2018	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.5% decrease in real discount rate	10%	152.1
1 year increase in member life expectancy	3%	44.8
0.5% increase in the salary increase rate	1%	21.3
0.5% increase in the pension increase rate	9%	128.9

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

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

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

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

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

- LGPS - the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Firefighters Pension Scheme - the deficit is paid by Central Government;
- Teachers' Pension Scheme finance - finance is provided by the Teachers Pensions Agency;
- Firefighters' Injury Awards – these are financed through revenue budgets.

Note 39: Pooled budgets with health

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

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

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

Agreements for the financial years starting on 1 April 2015 have been agreed by us and the three Clinical Commissioning Groups (CCGs) in Warwickshire. Annual contributions are agreed by the Better Together Programme Board before the commencement of each financial year thereafter. The agreement sets out the basis of the governance arrangements and reporting requirements to both the Better Together Programme Board and the Health & Wellbeing Board. For 2017-2018 the agreement includes additional aligned funding.

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

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

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

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

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

Note 40: Coventry and Warwickshire Business Rates Pool

The Coventry and Warwickshire Business Rates Pool was created on the 1 April 2013 with seven member authorities: Warwickshire County Council, the five District and Borough Councils within Warwickshire and Coventry City Council. Warwickshire County Council is the lead authority for the pool and there is an agreed memorandum of understanding in place that determines how the Pool's resources are allocated. Under the agreement any surplus generated by the pool, will be shared between pool members. We have accounted for our share of the current surplus in the Comprehensive Income and Expenditure Account and the full pool surplus is held in our reserves until such times as it is distributed (see note 20).

Note 41: Related parties and associated parties

Central Government
Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 24. Details of the balances with central government departments are shown in notes 14 and 17. Pooled budget arrangements with the Department of Health via Clinical Commissioning Groups are disclosed in note 39.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of elected members allowances paid in 2017/18 is shown in note 35. During 2017/18 works and services to the value of £23.5 million were paid to companies in which elected members had an interest (this includes £12.6 million paid to District and Borough Councils in Warwickshire where they are also elected members). Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body, including any made to organisations whose senior management included close members of the families of elected members. In all instances grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at Shire Hall. Details of the Members and the Committees and organisations for which they represent the authority are also available on the authority's web-site www.warwickshire.gov.uk.

Senior Officers
During 2017/18 no payments were made to organisations in which senior officers or members of their families had declared an interest.

A number of senior officers and elected members represent us on the board of related companies (such as Warwick Technology Park Management Limited, Warwick Technology Park Management No 2 Limited, Warwickshire Race Equality Partnership, SCAPE Group Limited, and University of Warwick Science Park

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

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

We charged the Warwickshire County Council Pension Fund £0.8 million for carrying out the administration work for the fund (not including payroll-processing costs).

Other Entities
We hold shares in the following companies:

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

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

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

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

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

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

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

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

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

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

The Gateway Alliance is a strategic partnership of primary schools in Warwickshire. It was created to provide professional development and school to school support following the reduction of Local Authority improvement services in 2011. The company is limited by guarantee and the members have confirmed that the governing documentation of the company contains the necessary provisions which are required pursuant to The School Company Regulations 2002. Under the regulations, all school companies are required to have a local authority as a supervising authority. Warwickshire is the supervising authority for the Gateway Alliance School Company and also processes the payroll for the Company staff, all costs of which are reimbursed in full.
West Midland Rail Ltd, is a company limited by guarantee with a Board of Directors appointed from each of the constituent member authorities for the purpose of providing local democratic strategic guidance for the specification of the new West Midlands rail franchise being let by the Department of Transport during 2017. The current members are

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

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

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

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

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

Note 42: Trading accounts

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

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

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

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

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

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

The Firefighters' Pension Fund

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

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

Notes to the Firefighters' Pension Fund statements

Note 1: Fund operations

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

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

Note 2: Accounting policies

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

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

Note 3: Liabilities

The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2018. Details of the long term pension obligations, employees and employers contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters' Pension Fund are found in note 38 to the accounts.

Note 4: Contribution levels

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

Note 5: AVCs and added years

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

Note 6: Debtors and creditors

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

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

CIPFA
Chartered Institute of Public Finance and Accountancy

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

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

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

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

Council tax
A tax based on property which is retained by local authorities to fund their expenditure. In Warwickshire, the district or borough councils issue council tax bills and collect the council tax.

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

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

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

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

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

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

Disclosure
Information we must show in the accounts under the Code.

Earmarked reserves
Money set aside for a specific purpose.

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

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

Historic cost
The cost of initial acquisition of an asset.

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

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

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

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

Net book value
The value of an asset after depreciation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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