Warwickshire County Council

Statement of Accounts and Annual Governance Statement

2011/2012

Warwickshire County Council

Working for Warwickshire

Contents

We would welcome any comments or judgements suggestions you have about this publication. Please contact Andrew Lovegrove, Head of Corporate Financial Services, Resources Directorate, Warwickshire County Council.

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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.

Independent auditor's report to the Members of Warwickshire County Council

Opinion on the Authority and firefighters' pension fund accounting statements

I have audited the financial statements and the firefighters' pension fund financial statements of Warwickshire County Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The firefighters' pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

This report is made solely to the members of Warwickshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the Authority's Statement of Accounts, which include the Authority financial statements and the firefighters' pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Warwickshire County Council as at 31 March 2012 and of its expenditure and income for the year then ended;

- give a true and fair view of the financial transactions of the firefighters' pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if :

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

This report is made solely to the members of Warwickshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the pension fund's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources.

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Warwickshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have material effect on the financial statements or on my value for money conclusion.

J Gregory

John Gregory
District Auditor
No 1 Friarsgate,
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25th September 2012.

Explanatory Foreword (Introduction) by the Head of Finance

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

Explanatory Foreword (Introduction)

This document summarises our financial affairs for 2011/2012 and shows our financial position at 31 March 2012. It includes the following statements and accounts.

~ **Statement of accounting policies** – This sets out the accounting policies we have followed when preparing the accounts for the financial year.

~ **Statement of responsibilities for the statement of accounts** – This explains our responsibility and the responsibility of the Head of Finance and confirms the date the Council approved the statement of accounts.

~ **Movement in Reserves Statement** – This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The net increase or decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves is undertaken by the council.

~ **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

~ **Balance Sheet** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and the statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations'

- ~ **Cash-flow Statement** – The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flow as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

- ~ **Notes to the core financial statements** – Notes to explain the Comprehensive Income and Expenditure Account, Movement in Reserves Statement, Balance Sheet and Cash-flow Statement.

- ~ **Firefighters' Pension Fund accounts** – This contains details of the Firefighters' Pension Fund for the financial year.

- ~ **Pension Fund accounts** – This contains details of the Warwickshire County Council Pension Fund for the financial year.

- ~ **Annual Governance Statement** – This reviews the effectiveness of our systems of internal control.

Revenue spending in 2011/2012

After considering the many spending pressures we faced, we did not increase the Council Tax and we have continued to encourage managers to save money whenever they can without damaging services. We originally planned to spend £341.8 million, after using some of our past savings and allowing for expected income. Schools' budgets were again given a high priority, as was spending on other important functions such as social services.

By the end of the year, our final spending to be met from government grants and local taxpayers was £338.6 million (£438.6 million less general grant and Collection Fund adjustments). This was £3.2 million (0.94%) less than we had originally planned. See the Movement in Reserves Statement on page 29.

The tables over the page show where our money came from and how we spent it. Salaries, wages and other spending on employees made up the largest share of our spending and we spent most of our money on the children's and education service. Our money in 2011/2012 came mainly from Council Tax, the Government Revenue Support Grant and our share of business rates. Total revenue spending before income was taken off was £829.2 million.

Reconciliation from spending to be met by government grants and local taxpayers to total spending	£ millions	£ millions
Net spending to be met from government grants and local taxpayers		438.6
Collection Fund Adjustment		1.4
other funding sources:		
~ service income (including specific government grants)	382.5	
~ trading income	5.3	
~ interest on cash balances	1.4	
		389.2
Total revenue spending 2011/2012		**829.2**

Trading income of £5.3 million was from the trading accounts (see page 76).

Where the money came from	£ millions	Percentage %
Council Tax including surplus/deficit on previous years collection	233.1	28
Revenue Support Grant	25.3	3
Business rates	82.0	10
Revenue government grants including Fire Pension Grant	41.3	5
Capital grants and contributions	60.1	7
	441.8	53
Specific government grants	331.9	40
Grants funding capital expenditure funded from revenue under statute	7.4	1
Profit on sale of investments	0.3	0
Reimbursements and contributions	54.9	7
Income from fees and charges	44.9	5
	439.4	53
Total revenue income on the Provision of Services	**881.2**	**106**
Reversal of items not affecting Council Tax	-48.8	-6
Surplus for the year transferred to the general reserve	-3.2	0
Total revenue spending 2011/2012	**829.2**	**100**

We spent money on	£ millions	Percentage %
Children's & education services	487.5	59
Adult social care	174.7	21
Fire and rescue services	27.4	3
Cultural and other related services	14.9	2
Environmental services	25.0	3
Planning and development services	8.3	1
Highways, roads and transport services	54.5	6
Other housing services	0.2	0
Court services	0.5	0
Central services	1.5	0
Corporate and democratic core	6.2	1
Other Services	5.3	1
Total Spend	806.0	97
Non distributed costs	-9.6	-1
Total spending on net cost of services	**796.4**	**96**
Other operating expenditure:		
- payments to the Environment Agency	0.2	0
- Gains/Losses on disposal/transfer of assets - held for sale and fixed assets	165.2	20
- external interest paid on loans and other financing costs	19.2	2
- income and expenditure in relation to investment properties and changes in their fair value	2.8	0
- trading account expenditure	4.2	1
- pension interest costs and expected return on assets	19.2	2
Total revenue spending on the Provision of Services	**1,007.2**	**121**
- other Comprehensive expenditure (losses)	73.4	9
Total comprehensive revenue spending	**1,080.6**	**130**
- principal repaid on loans	18.5	2
- capital spending met from revenue	8.0	1
- adjustment for items which do not affect the level of Council Tax	-307.5	-37
- money we transferred from reserves	34.4	4
- money transferred from the Pension Reserve	-10.1	-1
- money paid to Firefighters' Pension Fund	5.3	1
Total revenue spending 2011/2012	**829.2**	**100**

Table may not sum due to roundings

How we spent the money	£ millions	Percentage %
Payments relating to staff	416.7	50
Spending on property	48.8	6
Supplies and services	22.0	3
Other expenses	288.3	35
Buying and using assets	53.4	6
Total revenue spending 2011/2012	**829.2**	**100**

Other expenses include all transport costs in relation to staff and clients including transport operations and bus services (including school transport). A large proportion of this related to third party and transfer payments which include items such as payments to service providers for social care, payments to nursery providers, payments for waste management contracts, roads maintenance contracts, street lighting and other support services.

At the end of the year our total usable revenue reserves amounted to £85.7 million. In addition we also held usable capital reserves of £29.8 million at the end of the year. The tables below shows the different types of reserve we hold.

Usable Revenue reserves	£ millions
General reserve	15.7
Schools' reserves	20.1
Other reserves we hold for specific reasons	49.9
Total at 31 March 2012	**85.7**

Usable Capital reserves	£ millions
Capital fund	0.3
Capital receipts reserve	0.0
Capital grants unapplied reserve	29.5
Total at 31 March 2012	**29.8**

~ General reserve - reserve set aside for unexpected events.
~ Schools' reserves - reserves set aside specifically for schools to use.
~ Other reserves - reserves set aside for specific purposes.
~ Capital fund - reserve set aside for spending on assets with a lasting value
~ Capital receipts reserve – reserve holding capital receipts to be used in the future to pay towards future capital purchases or expenses as a result of sales of assets.
~ Capital grants unapplied reserve – to be used to fund future specific capital expenditure.

Capital spending in 2011/2012 - £66.9 million

Alongside our day-to-day costs, we spend money on assets such as buildings, new roads and major maintenance work. During 2011/2012, our capital spending came to £66.9 million. The largest amount (49.6%) went on building work and fees, 30.2% went on roadworks and bridges, and the rest went on buying land, vehicles and major equipment, regeneration and improvements to the environment, grants and other costs.

Our spending was £6.2 million less than our estimate of £73.1 million. This underspend was due to delays on individual projects. We now plan to spend this £6.2 million in 2012/2013.

We spent £33.1 million (49.4%) on projects relating to people, £25.8 million (38.6%) on projects relating to communities, £6.4 million (9.6%) on projects relating to Resources and the balance of £1.6 million (2.4%) on projects relating to Fire and Rescue.

The major projects we worked on in 2011/2012 include the following:-

~ Structural work to maintain roads and bridges - £11.9 million.
~ Projects using money paid to schools to fund their own capital expenditure - £10.5 million.
~ Structural maintenance, boiler replacement, building rewires and asbestos treatment at buildings including Schools, Homes for Elderly People and Libraries - £7.6 million.
~ Schemes to improve our waste management facilities - £2.1 million.
~ Relocating Warwick Library to Shire Hall - £1.8 million.
~ Extension of Newburgh Primary School, Warwick - £1.7 million.
~ Countryside and rural strategy schemes - £1.7 million.
~ Build of a new school at Oakfield Primary School, Stratford - £1.5 million.
~ Extension of Bridgetown Primary School, Stratford - £1.4 million.
~ Improving customer facing buildings and office accommodation - £1.3 million.
~ Street lighting maintenance and replacement - £1.0 million.

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

Capital spending 2011/2012

Which services we spent money on	£ millions	Percentage %
People Group	33.1	49.4
Communities Group	25.8	38.6
Fire and Rescue	1.6	2.4
Resources Group	6.4	9.6
Total 2011/2012	**66.9**	**100.0**

How we spent the money	£ millions	Percentage %
Building work and fees	33.2	49.6
Roadworks and bridges	20.2	30.2
Furniture and equipment	3.8	5.7
Vehicles	1.1	1.6
Regeneration and improvements to the environment	2.7	4.1
Land and building purchases	0.9	1.3
Grants and other spending	5.0	7.5
Total 2011/2012	**66.9**	**100.0**

Where the money came from	£ millions	Percentage %
Borrowing	0.0	0.0
Grants and money from other organisations	48.8	73.0
Selling assets	10.1	15.1
Capital Fund	0.0	0.0
Revenue	8.0	11.9
Total 2011/2012	**66.9**	**100.0**

Funding Analysis	£ millions	Percentage %
Assets we own	53.2	79.5
Assets we don't own	13.7	20.5
Total 2011/2012	**66.9**	**100.0**

Assets we do not own includes capital expenditure which we are authorised to have financed from capital resources but on assets that do not belong to us, such as equipment for foundation schools and contributions to external childcare providers. This came to a total of £13.7 million in 2011/2012.

Value of our assets

We revalued our land and building assets at the end of March 2009. We do this every five years. At the end of March 2012 we revalued all those land and buildings assets which had more than £0.250 million spend during the year, all assets which have changed status during the year, and all our investment properties and assets held for sale. These valuations led to a decrease in the value of our assets of £29.5 million. The final overall value of our assets after considering the spend, valuations and disposals is £1,020.8 million.

Significant changes in policy

FRS30, Heritage assets, forms part of the Code of Practice from 2011/2012 onwards. We have therefore assessed our ownership of heritage assets and included information about them in notes 13, 52, 53 and 54. This change is not material in size, however, and so we have agreed with our auditors that we do not need to restate the accounting statements from prior years to reflect this change.

Major changes in function

During 2011/2012, twelve schools which were previously included in our asset values have transferred to Academy status. The values of these schools have therefore been taken off our Balance Sheet at their carrying value at the date of transfer, and are shown in the Comprehensive Income and Expenditure Statement as Other Operating Expenditure within the Net Cost of Services as losses on disposal/transfer of non-current assets (see note 9 on page 44).

The total loss of value from the Balance Sheet relating to disposals/transfers in 2011/2012 is £163.0 million, £151.5 million of which is the value of the Academies and associated assets. However, this value is reversed through the Movement in Reserves Statement to the Capital Adjustment Account, and so does not impact on the General Fund. There were no other major changes in functions (that is, changes in the services we provide).

Pensions

In complying with International Accounting Standard 19 (IAS 19), we must make sure that the financial statements reflect fairly the assets and liabilities that we are responsible for as an employer relating to retirement benefits, and that we show the true cost of these responsibilities.

Under the IAS19 regulations, the shortfall on the pension funds is as follows:

Shortfall 31 March 2011 £ millions	Pension Scheme	Shortfall 31 March 2012 £ millions
236.3	Local Government Pension Scheme	290.4
166.3	Firefighters Pension Scheme	180.1
16.9	Fire Injury Award Scheme	18.8
42.0	Teacher discretionary benefits pension scheme	48.5
461.5	**Total**	**537.8**

Any extra service costs shown on the income and expenditure account are met by a transfer from the pensions reserve so that the charge against Council Tax reflects the actual cash paid during the year.

The local government pension fund's actuary values the pension fund every three years. The last valuation took place as at 31 March 2010 and showed the pension fund was 83% funded. A gradual increase (in steps) in employers' contribution rates for the three years from 1 April 2011 should work towards our long-term aim of achieving a 100% funding level. We aim to recover the shortfall over 19 years. The next valuation will take place as at 31 March 2013. The actuary will look at the funding position again and will set the employers' contribution rates for a further three years from 1 April 2014. The contribution rates could increase or reduce depending on investment performance and changes in assumptions such as pensioners' life expectancy rates.

Whole of government accounts

We have to tell the Government about the money we have spent and the money we have received from other public bodies. This will allow the Government to produce accounts for the whole of the public sector. Our auditors review this information but it does not form part of our statement of accounts. For 2011/2012 we will have to provide additional information to enable the Government to prepare its consolidated accounts under the provisions of International Financial Reporting Standards in relation to accounting for infrastructure assets, even though this will not be implemented in local authority accounts for a couple of years.

Group accounts

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

Pay review

The Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, sets out the principle of equal pay for men and women. As part of the National Pay Agreement 2004, we had to carry out a pay review by 1 April 2007 to make sure that our pay arrangements for men and women are fair. In Warwickshire, because of the size of the project, we are doing this in two stages. The first stage was completed and changes were built into a revised pay structure from 1 April 2007. Stage 2 was completed into a revised pay structure from 1 November 2010.

In accordance with regulations we are required to account for the cost of the pay and conditions review relating to 2011/2012 in the cost of services in the income and expenditure account for the year. However we can opt only to have to finance from the general fund resources those which have actually been paid in the year. In order to do this we make the appropriate adjustments through provisions and in reserves by the setting up of an Equal pay back pay account. We have not needed to do this in 2011/2012.

The ongoing costs of this review have been fully funded. Most of the one-off costs we expect to pay have already been paid and fully funded. We have also provided in these accounts, under provisions, an estimate of any that we still think are probably due but have not been settled by the 31 March 2012. These are also fully funded.

The 2012/2013 Budget

When setting the 2012/2013 budget, after considering many spending pressures, we did not increase our Council Tax. We also used some of our savings (reserves) to support our spending on services. £0.537 million came from general reserves. Services also repaid a net £0.345 million that they had borrowed in earlier years to fund specific projects. In addition £15.712 million was paid into reserves. The actual decrease in planned net spending (after income) was 0.8%. We plan to spend £338.9 million, again giving priority to spending in schools, caring for older people and pursuing a sustainable environment and other important services to the public.

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

John Betts
Head of Finance.

Statement of accounting policies

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

General

The content, layout and general rules we used to prepare these accounts complies with the Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRSs) and developed by CIPFA/LASAAC.

Changes in policy

FRS 30, Heritage Assets, forms part of the Code of Practice from 2011/2012 onwards. We have therefore assessed our ownership of Heritage Assets and included information about them in notes 13, 52, 53 and 54. This change has to be applied retrospectively but the total change is immaterial in value and so we have agreed with our auditors that there is no need to provide a full restatement of prior years' balance sheets and comprehensive income and expenditure statements.

Revenue and capital transactions

Revenue and capital transactions are recorded on an income and expenditure (spending) basis. This means that income is recorded in our accounts when we are owed it rather than when we receive it. Likewise, expenditure is recorded in our accounts when we owe it, rather than when we actually make a payment. We have a deminimus level for non system generated accruals of £50,000 that managers can use if they wish, the effect of which we would not expect to be material.

Acquired operations

We do not have any acquired operations.

Back Pay Arising From unequal pay claims

We have undertaken a pay and conditions review (see note 47 on page 110 and the explanatory foreword) which has now been completed. This was fully funded and we have provided any costs yet to be settled at 31 March as a provision.

Cash and Cash Equivalents

Cash is that held in current bank accounts and overdrafts where the balance fluctuates and is 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. Deposits held for longer than 3 months and money management funds (Aviva) are not regarded as cash equivalents as they are not deemed to be readily convertible to cash or do not have a specific maturity date and are held for longer term investment purposes.

Financial Assets

Financial Assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, we make available a car loan facility at below market rates and bicycle purchase/train season ticket loans interest free for employees. In addition we make a small number of business loans. These are known as soft loans. The amount of these loans represented on the 2011/2012 balance sheet has not been written down to fair value as the effect of doing so would have an immaterial effect on the financial statements. This treatment is outlined in the Code.

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

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

Investments are recorded in the accounts at the price we bought them. Interest we pay on money we have borrowed, as well as interest we earned on money we lent, is shown in the accounts in the year it was due or earned. Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

We hold investments with Aviva Investments which are classed as loans and receivables.

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

Available for Sale Assets

We do not hold any instruments with quoted market prices. Available for sale assets are initially measured and carried at fair value. Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Movement in Reserves Statement (MIRS). Where impairments are recognised or assets derecognised charges are made to the Comprehensive Income and Expenditure Statement along with any accumulated gains or losses in the reserve previously recognised in the MIRS.

Dividends are credited to the Comprehensive Income and Expenditure Statement when they become receivable. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on amortised cost of the asset multiplied by the effective rate of interest for the instrument.

We have entered into a financial guarantee prior to 1 April 2007 that we are not required to account for as a financial instrument. This guarantee is reflected in the accounts as a contingent liability under note 47 to the core financial statements.

Any financial assets or liabilities recognised and/or derecognised prior to 1st April 2006 have not been re-recognised in accordance with the Code.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

We have accounted for our discounts on early repayment of debt in accordance with the Code. When the authority restructures its debts this can often mean we pay a premium or earn a discount. We first have to determine whether the transaction taking place represents a modification or an extinguishment of a loan. All the discounts earned by the Council that we are accounting for under the Code have been as a result of extinguishment of loans. Discounts earned are taken immediately to the Comprehensive Income and Expenditure Statement. However, regulations allow the impact on the General Fund Balance to be spread over future years. We have a policy of spreading any losses over the term that was remaining on the loan against which the discounts was receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. We have chosen to amortise discounts earned on early repayment of debt from 1 April 2007 over 10 years in line with the requirements of the Code. We have not received any discounts in 2011/2012.

Discontinued Operations

We do not have any discontinued operations.

Employee Benefits

We have accounted for employment benefits in accordance with International Accounting Standard IAS 19. As a change from previous accounting under UK GAAP this now means that any entitlements that have been earned by employees as a consequence of the service completed by them as at 31 March each year have to be accrued for and shown in the cost of services in the Comprehensive Income and Expenditure Statement, even if we would never normally pay them, such as annual leave and time-off in lieu untaken at the year end. We still continue to account for pension benefits earned at the Balance Sheet date based on assessments provided by our Actuaries and GAD (Government Actuaries Department). Full details of those are shown in note 46 on pages 96 to 110.

Events After the Balance Sheet Date

We have to consider any material events between the date of Balance Sheet and the date the accounts are authorised for issue by the Head of Finance. Once we have identified anything we have to determine whether it is an adjusting or non adjusting event. We would, if anything were identified, agree treatment and disclosure with our auditors. Details of our disclosure is shown at note 6 on page 38.

Exceptional Items and Prior Period Adjustments

A number of schools have transferred to Academy status during 2011/2012. This means that we have to account for the assets that have been transferred out our balance sheet as a result, net of any proceeds and costs in our Income and Expenditure account. The effect of this (including comparatives) is outlined in Note 5 on page 38 and is included in Note 9 on page 44 as a loss on disposal/transfer of non current assets.

We have to account for our share of the Collection Fund for each of the District and Borough Council's in Warwickshire within our accounts. We have been advised that a restatement is required for one of these bodies for 2010-2011. In addition we have made an adjustment to correct a misstatement of income on our trading accounts. There have been no material prior period adjustments this year. However, we have made restatements as a result of these errors as shown in note 54 of the accounts on page 120.

Foreign Currency

We do not hold any foreign currency. We make limited payments for goods and services purchased from abroad using bankers foreign currency drafts in the appropriate denomination.

Government grants

Government grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. Government grants we receive to pay for spending on our general service activities are shown in the appropriate service revenue account (within the net cost of services in the Comprehensive Income and Expenditure Account). General Grants we receive such as Revenue Support Grant and Area Based Grant are credited to the foot of the Comprehensive Income and Expenditure after Net Operating Expenditure. Where grants and contributions for revenue have no conditions for the repayment of grant these have been credited in full to the Comprehensive Income and Expenditure Statement and any unspent element held in earmarked reserves.

Capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement when any relevant conditions governing their use or repayment have been met. Before the conditions are met, they are held on the Balance Sheet as a Capital Grants Received in Advance liability. If we used the grant to pay for spending on our assets, the grant is credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure. If we used the grant for work, which is classified as Revenue Expenditure Funded From Capital Under Statute, the grant is shown as revenue income in the year to match the treatment of the expenditure. All capital grants and contributions are charged to the Capital Adjustment Account so the level of Council Tax is not affected. Unused non-conditional grants are taken out of revenue and held in the Capital Grants Unapplied Reserve.

Intangible Fixed Assets

We treat 'intangible assets' (assets which we cannot actually see, such as software licences) in the same way as other assets. We gradually reduce the value of intangible assets over their useful life (up to 10 years) and charge this to the Comprehensive Income and Expenditure Account. Intangible assets are valued at historic cost (the cost at which they were bought).

Investment Property

Investment property is designated as such if it is held purely for rental purposes or capital value appreciation. Investment property is revalued at open market value every year in accordance with the code.

Landfill Allowances Trading Scheme

This is a scheme that we have to account for under the Waste and Emissions Trading Act 2003 designed to reduce the amount of biodegradable municipal waste to landfill.

Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services along side other property costs based on head count.

Leases (Operating and Finance)

Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the Council. We deal with finance leases in the same way as other capital spending. We have included these as assets in the balance sheet and will charge depreciation costs on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the Comprehensive Income and Expenditure Account. Any lease which is not a finance lease is an operating lease. The vast majority of our lease-rental payments are assessed to be operating leases and are charged evenly to the Comprehensive Income and Expenditure Account over the life of the lease.

Assets held for sale

These are assets that we have made a decision to sell and are in a condition to do so when that decision is made. For such assets to be categorised as held for sale they must be being actively marketed from the date of that decision. If a sale is expected within 12 months of making that decision then they are treated as current assets and valued at open-market value at the time the decision is made to sell them. Those we do not expect to sell within 12 months are valued as their previous use.

Overheads

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

Property, Plant and Equipment

Recognition: Our spending on buying, creating or improving fixed assets is classed as capital spending provided it benefits the council and its services for a period of more than a year. Expenditure to improve or provide structural repairs is capitalised, whereas works to maintain the current service level of an asset are not. Spending on fixed assets is recorded in our accounts when the work has been carried out or when the asset has been delivered to us, rather than when we actually pay for it. All assets are initially recorded in our accounts at historic cost. Expenditure which does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our deminimus level of £6,000 is charged to the Council's revenue account in full in the year it occurs.

Measurement: Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations alongside any external valuers appointed by the Council.

The closing balances on 31 March 2012 were valued in the following ways.

~ Land and buildings are included in the balance sheet at their open-market value based on their existing use. However, where there is insufficient market valuation evidence some land and buildings, for example schools, are included in the balance sheet at a depreciated replacement cost. Surplus assets which are not likely to be disposed of in the next twelve months are valued as their previous use.

~ We have included assets that we do not use in our day-to-day work, including investment properties and assets we intend to sell within the next twelve months, in the balance sheet at their open-market value. These assets are revalued every year.

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

~ Heritage assets are included in our accounts for the first time this year following the introduction of FRS 30 to the Code of Practice. Where heritage assets, defined as assets preserved in trust for their cultural, environmental or historical associations, have been identified within previously recognised operational assets, their values have been left in the original designations. Exceptions to this are listed in Note 13 on page 49. For heritage assets not previously recognised in the operational assets, we have sought a valuation where the cost of obtaining this was commensurate with the benefit to the authority. Identifiable heritage assets without obtainable valuations are disclosed within note 53.

We revalue all those fixed assets which are held at a value other than depreciated historic cost, at least once every five years. In 2008/2009 the council carried out a full revaluation of all its land and building assets. All revaluations in 2011/2012 have been carried out by Council RICS qualified staff. We adjust for any major changes to the value of assets as they happen, whether due to events affecting groups of assets or single assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them, we add the difference to the Revaluation Reserve.

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

Provisions

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

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

Provisions are charged to the appropriate service revenue account when the authority becomes 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, and to protect us against unexpected events. Reserves include 'earmarked reserves' which we set aside for certain policy purposes and other general reserves which represent resources set aside for purposes such as general events and managing our cash flow. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Earmarked Reserves are created by appropriating amounts in the Movement in Reserves Statement (MIRS). When expenditure is financed from an earmarked reserve, the expenditure itself is charged to the appropriate service revenue account. The reserve is then appropriated back to the general fund via the MIRS so that there is no net charge against council tax.

The capital accounting system requires us to include these other accounts/reserves in the balance sheet.

Revaluation Reserve	~	The reserve contains gains since 1 April 2007 from the revaluation of assets. Changes in the value of individual assets increase or reduce the balance. The reserve cannot be negative in terms of the balance linked to an individual asset.
Capital Adjustment Account	~	The account is made up from amounts we have set aside from day-to-day spending or capital receipts and other funding

		sources to pay for fixed assets or to repay loans. The account also includes the net book value of assets we have sold.
Financial Instruments Adjustment Account	~	This holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
Available for Sale Financial Instruments Reserve	~	This reserve holds unrecognised gains resulting from changes in the fair value of available for sale financial instruments.

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

We hold capital grants and contributions we receive (or are due to receive) which are not used to pay for capital spending in the year in a reserve called 'Capital Grants Unapplied' if there are no remaining conditions on their use.

We are required to maintain a 'Collection Fund Adjustment Account' which holds the difference between the amount required to be shown in the Comprehensive Income and Expenditure Account for Council Tax and that required by legislation to be taken against the General Fund (the cash received from billing authorities).

As a result of accounting for employment benefits under IAS19 we have to accrue for post employment benefits such as annual leave earned but untaken at the year end. Since we are required to account for this cost in the Comprehensive Income and Expenditure Account but we are not required to account for it under legislation from the General Fund in the Year, the amount we assess as such will be reversed in the Movement in Reserves Statement to The Compensated Absences Reserve so as not to affect the level of Council Tax.

Revenue Expenditure Funded From Capital Under Statute

Not all our services are provided using assets we own. For example, foundation schools own their own assets. Any money we spend on these assets must be charged to the Comprehensive Income and Expenditure Account but is funded from capital resources not Council Tax. To make sure that the Council Tax is not affected, we then make an adjustment equal to the total to reverse this and charge it to the Capital Adjustment Account.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

We are subject to Partial Exemption. However, as long as the VAT that we claim on purchases used to generate exempt incomes is less than 5% of all VAT claimed on purchases in the year, then we can claim all our VAT back in full.

The Pension Fund

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

Teachers' discretionary benefits - The Department for Education runs this scheme and sets the rate of contributions we must pay. We pay the basic retirement and superannuation benefits of retired teachers out of money provided by the Government. However, we pay any extra added years of benefits and early retirement costs to pensioners.

Fire fighters' Pension Scheme - Our actual costs each year represent an employer's contribution rate towards the costs of pensions as well as costs of early retirements and injury awards for the year. We have to pay the employer's contribution and the cost of ill-health, retirements to the Firefighters' Pension Fund towards funding of firefighters' pension benefits. The balance is funded from government grant.

Unfunded scheme – Firefighters Injury Awards Scheme - Our actual costs for the year represent the on-going cost of the proportion of firefighters pension that relates to an injury incurred when in service. Following the introduction of IAS 19 we now show the cost of future retirement benefits that specifically relate to injuries. This liability had previously been omitted from the firefighters liability as it is payable whether the firefighter is a member of the pension scheme or not.

Funded Scheme – LGPS (other employees) - Other employees automatically join the Local Government Pension Scheme (LGPS), unless they make a decision to opt out of the scheme. The provisions of the Local Government Pension Scheme were changed by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2006. The change allows members to take a higher lump sum than the standard 3/80 by commutating (see glossary) part of their pension.

It costs less for the scheme to provide the lump sum than the yearly pension, so if some members choose to take a higher lump sum, this will reduce the employers' pension costs. Our actuary has made allowances for this on the assumption that 50% of members will take up the option to increase their lump sum to the highest level available. The 50% assumption is an estimate, but is consistent with the basis on which the possible cost savings have so far been estimated.

Tiered contribution rates for employees and changes in retirement benefits and requirements were introduced from 1 April 2008. This meant that members on higher salaries paid a higher contribution rate.

Accounting for Pension Costs – all schemes

The pension costs included in the accounts for these schemes have been worked out in line with relevant government regulations. As well as the contribution we pay for employees, we must also show the extra costs of pensions decisions we have made in the current year, no matter when we will actually pay the financial cost. Actuarial gains and losses as shown in the paragraphs below for each of the schemes are as provided by the appropriate actuaries.

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

Under IAS19 (previously under FRS 17) the benefits we pay are classed as defined benefits so in our accounts we need to show the extra costs of pension decisions we have made in the current year, no matter when we will actually pay these costs.

The closing balance sheet for 2011/2012 includes a pensions liability as shown in the table below. This is balanced by a pensions reserve of the same value. Under IAS19 we must show current service costs, past service costs, interest costs and expected return on assets in the Comprehensive Income and Expenditure Statement, but this does not affect the amount that Council Tax payers have to pay because we transfer these entries to the Pension Reserve and replace them with the employers' contributions paid and due by 31 March 2012. This shows that the charge against Council Tax only reflects the actual cash paid in the year.

Charges to service revenue accounts are based on a share of current service costs (the increase in future benefits arising from service earned in the current year) rather the employees contribution. For teachers pensions the projected cost of discretionary awards (as past service costs) are charged to non-distributed costs in the year the award decision is made. These two items have reduced our original net spending as shown in the table below.

Extra items for interest costs and expected return on assets are shown in the income and expenditure account. This has increased original net spending as shown in the table below.

Pension Scheme	Liability at 31 March 2012 £ millions	Current service costs/ employers contributions and benefits paid £ millions	Discretionary awards (past service costs) £ millions	Interest costs and expected return on assets £ millions	Total effect on net spending £ millions
Teachers discretionary	48.5	-3.2	0.0	2.2	-1.0
Fire-fighters	180.1	3.5	0.0	9.4	12.9
Fire-fighters Injury Award scheme	18.8	-0.3	0.0	1.0	0.7
LGPS	290.4	2.8	-11.9	6.6	-2.5
Total	**537.8**	**2.8**	**-11.9**	**19.2**	**10.1**

In the above table a minus is a cost to the fund and a positive figure in an increase in the fund.

When we assessed our liabilities for retirement benefits as at 31 March 2012 we used a rate based on the current rate of return on a high-quality corporate bond in the same currency and for the same length of time as the scheme's liabilities. The actuary has advised that the rates shown below are appropriate. The actuary has adjusted the real rate to allow for inflation. Applying this rate has resulted in a decrease in our liabilities, measured at today's prices, as shown in the table below.

Pension Scheme	Rate of return for 2011/2012	Rate of return for 2010/2011	Change in liabilities £ millions
Teachers discretionary benefits	2.3% real (4.8% actual)	2.6% real (5.4% actual)	3.1
Unfunded fire-fighters	2.4% real (4.9% actual)	1.8% real (5.8% actual)	6.8
Fire-fighters Injury Award scheme	2.4% real (4.9% actual)	1.8% real (5.7% actual)	0.9
LGPS	2.3% real (4.8% actual)	2.1% real (5.5% actual)	29.6

We have included these amount in the increase in actuarial losses recognised for the year in note 25 in the notes to the core financial statements on page 68.

Income from selling fixed assets

We use the income from selling fixed assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. Any of this money that we have not used by the end of the year is recorded in the balance sheet as the ‘capital receipts reserve’. We show the gain or loss on the sale of assets in the Comprehensive Income and Expenditure Account. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the Comprehensive Income and Expenditure Account, regardless of whether all the proceeds of the related sale have been received yet, in order to ensure we account for all the revenue costs in the year they occur. Up to 4% of a capital receipt may be used to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation transferred to the Capital Adjustment Account) and the sale proceeds (transferred from the Capital Receipts Reserve) are also shown as reversing entries in the Movement in Reserves Statement as these do not directly affect the level of Council Tax through restrictions on the use of capital receipts.

Depreciation

All assets with a limited useful life, such as vehicles and buildings, are reduced in value to cover the economic usage of the asset. This reduction in value is called depreciation. We charge depreciation cost on buildings over our valuers’ estimate of their useful economic life (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment).

~ Our new assets begin to fall in value from the start of the next financial year after they are ready to be used. Assets or projects with incomplete spend are classified as Assets Under Construction on the balance sheet and are recorded at historic cost.

~ An asset’s value falls on a straight-line basis throughout its useful economic life with a constant proportion of the asset’s gross value being deducted every year. If the gross value of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.

~ We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investments properties or assets held for sale. Similarly, heritage assets, included in the accounts this year for the first time, are generally assessed to have infinite lives by definition and so are not depreciated. As part of the revaluation of the Council's land and buildings estate in 2008/2009, valuers supplied new estimates of our assets' useful economic lives. These estimates were reflected in the depreciation charges for 2011/2012.

Charges to revenue

We charge services for all the fixed assets they use to provide their services. The charge covers depreciation of those assets.

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

- capital spending which did not lead to an increase in the value of the asset;
- assets which have been impaired as above;
- revenue spending funding from capital under statute (see below); and
- capital grants used to fund Revenue Expenditure Funded From Capital Under Statute.

Repaying debts – Minimum Revenue Provision (MRP)

MRP is the amount we must set aside each year to repay debts. We have decided not to use any of the options outlined in the statutory guidance (Local Authorities (Capital Finance and Accounting) (England) Regulations 2008) but to adopt an alternative approach, which we believe is prudent.

The MRP provision is calculated on the average remaining useful life of the Council's asset portfolio. We calculate and apply the remaining useful life over two categories of assets:

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

The proportion of debt outstanding in each category of asset is determined by the value of assets included in the balance sheet at the end of each financial year. For land, buildings and infrastructure the average useful life is calculated every five years, in line with our policy on revaluing assets e.g. 20 years average remaining life will result in a 5% straight line MRP. For vehicles, plant and equipment the remaining useful life is assumed to be 5 years e.g. 5 years average remaining useful life will result 20% straight line MRP.

Inventories/Stocks

The Highway group's stocks are valued at the cost of replacing them. Other stocks are valued at the cost we paid for them. These methods of valuing stocks are different from the methods set out by the CIPFA code. This does not have a major effect on the financial statements.

Private Finance Initiative (PFI) and similar contracts

Any contracts made under PFI arrangements and similar long term contracts have been assessed and treated accordingly under International Financial Reporting Standards and IFRIC 12 as required by the Code 2010. This was a requirement under the SORP 2009 and was audited as part of the audit of the 2009/2010 accounts. As a result of those assessments and conclusions no assets were required to be added to our Balance Sheet.

Contingent Liabilities

We have identified contingent liabilities with regard to International Accounting Standards (IAS37). In doing so we have identified any instances where either:

A) 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 the control of the authority or,
B) 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 to settle the obligation or that the amount of that obligation can not be measured with significant reliability.

Our contingent liability disclosure is shown in note 47 to the accounts on page 110.

Statement of responsibilities for the statement of accounts

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

The authority's responsibilities

We must 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 doing this.

~ Manage our affairs to use our resources efficiently and effectively and to 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 both our statement of accounts and the Pension Fund, 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's/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

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

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

John Betts
Head of Finance **Date: 29 June 2012**

I confirm that the accounts were considered and approved at a meeting of the Council on 25 September 2012.

Councillor Michael Doody
Chair of the Council **Date: 25 September 2012**

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'useable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The next increase or decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Movement in Reserves Statement - 2011/2012	General Fund £ millions	Earmarked Reserves £ millions	Capital Fund £ millions	Capital Grants Unapplied £ millions	Total Usable Reserves £ millions	Unusable Reserves £ millions	Total Authority Reserves £ millions
Balance at 31 March 2011	**12.5**	**53.2**	**0.2**	**11.8**	**77.7**	**356.6**	**434.3**
Movement In Reserves During 2011/2012							
Surplus or deficit (-) on provision of services (accounting basis)	-126.0	0.0	0.0	0.0	**-126.0**	0.0	**-126.0**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	**0.0**	-73.4	**-73.4**
Total Comprehensive Income and Expenditure	**-126.0**	**0.0**	**0.0**	**0.0**	**-126.0**	**-73.4**	**-199.4**
Adjustments between accounting basis & funding basis under regulations (Note 7)	146.0	0.0	0.1	17.7	163.8	-163.8	**0.0**
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**20.0**	**0.0**	**0.1**	**17.7**	**37.8**	**-237.2**	**-199.4**
Transfers to / from (-) Earmarked Reserves (Note 8)	-16.8	16.8	0.0	0.0	0.0	0.0	**0.0**
Increase / Decrease (-) in Year	**3.2**	**16.8**	**0.1**	**17.7**	**37.8**	**-237.2**	**-199.4**
Balance at 31 March 2012	**15.7**	**70.0**	**0.3**	**29.5**	**115.5**	**119.4**	**234.9**

Movement in Reserves Statement - 2010/2011	General Fund £ millions	Earmarked Reserves £ millions	Capital Fund £ millions	Capital Grants Unapplied £ millions	Total Usable Reserves £ millions	Unusable Reserves £ millions	Total Authority Reserves £ millions
Balance at 31 March 2010	**8.2**	**44.7**	**0.1**	**6.6**	**59.6**	**245.5**	**305.1**
Movement In Reserves During 2010/2011							
Surplus or deficit (-) on provision of services (accounting basis)	56.2	0.0	0.0	0.0	**56.2**	0.0	**56.2**
Other Comprehensive Income and Expenditure	0.0	0.0	0.0	0.0	**0.0**	73.0	**73.0**
Total Comprehensive Income and Expenditure	**56.2**	**0.0**	**0.0**	**0.0**	56.2	**73.0**	**129.2**
Adjustments between accounting basis & funding basis under regulations (Note 7)	-43.4	0.0	0.1	5.2	-38.1	38.1	**0.0**
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**12.8**	**0.0**	**0.1**	**5.2**	**18.1**	**111.1**	**129.2**
Transfers to / from (-) Earmarked Reserves (Note 8)	-8.5	8.5	0.0	0.0	0.0	0.0	**0.0**
Increase / Decrease (-) in Year	**4.3**	**8.5**	**0.1**	**5.2**	**18.1**	**111.1**	**129.2**
Balance at 31 March 2011	**12.5**	**53.2**	**0.2**	**11.8**	**77.7**	**356.6**	**434.3**

None of the general fund balance held is for schools as they hold a separate earmarked reserve (see note 8).

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with the regulations. This may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2010/2011 gross spending Restated £millions	2010/2011 income Restated £millions	2010/2011 net spending Restated £millions	Summary of revenue spending	2011/2012 gross spending £millions	2011/2012 income £millions	2011/2012 net spending £millions
			Money spent on services			
17.6	-3.5	14.1	~ cultural and other related services	14.9	-2.6	12.3
25.5	-3.6	21.9	~ environmental and regulatory services	25.0	-1.9	23.1
8.5	-3.5	5.0	~ planning and development services	8.3	-2.9	5.4
547.3	-435.8	111.5	~ children's and education services	487.5	-364.8	122.7
25.6	-0.8	24.8	~ fire and rescue services	27.4	-2.2	25.2
55.9	-19.1	36.8	~ highways, roads and transport services	54.5	-13.7	40.8
183.4	-50.0	133.4	~ adult social care	174.7	-37.6	137.1
0.3	-0.2	0.1	~ other housing services (gypsy sites)	0.2	-0.2	0.0
0.5	-0.2	0.3	~ court services	0.5	-0.1	0.4
2.1	-1.3	0.8	~ central services to the public	1.5	-1.1	0.4
5.1	-0.1	5.0	~ corporate and democratic core (see note 56)	6.2	0.0	6.2
5.4	0.0	5.4	~ non distributed costs (normal)	-9.6	0.0	-9.6
-78.3	0.0	-78.3	~ non distributed costs (extraordinary item - see note 5)	0.0	0.0	0.0
3.5	-3.5	0.0	~ other services	5.3	-5.3	0.0
802.4	**-521.6**	**280.8**	**Net cost of services**	**796.4**	**-432.4**	**364.0**
13.9	0.0	13.9	~ Other operating expenditure (Note 9)	165.4	0.0	165.4
54.5	-8.4	46.1	~ Financing and Investment Income and Expenditure (Note 10)	45.4	-7.0	38.4
0.0	-397.0	-397.0	~ Taxation and non-specific grant income (Note 11)	0.0	-441.8	-441.8
870.8	**-927.0**	**-56.2**	**Surplus (-) or Deficit on Provision of Services**	**1,007.2**	**-881.2**	**126.0**
0.0	-2.9	-2.9	~ Surplus (-) or Deficit on revaluation of Property, Plant & Equipment Assets	1.7	0.0	1.7
0.0	-0.1	-0.1	~ Surplus (-) or Deficit on revaluation of available for sale financial assets	0.2	0.0	0.2
0.0	-70.0	-70.0	~ Actuarial gains (-) or losses on pension assets/liabilities	71.5	0.0	71.5
0.0	**-73.0**	**-73.0**	**Other Comprehensive Income and Expenditure**	**73.4**	**0.0**	**73.4**
870.8	**-1000.0**	**-129.2**	**Total Comprehensive Income and Expenditure**	**1,080.6**	**-881.2**	**199.4**

Balance Sheet as at 31 March 2012

The balance sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and the statutory limitations on their use (for example the Capital Receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation reserve, where amounts would only become available to provide services if the assets are sold) and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘adjustments between accounting basis and funding basis under regulations’.

2011 £ millions	BALANCE SHEET AS AT 31ST MARCH	£ millions	2012 £ millions	Notes
	Property, Plant & Equipment			
353.9	~ land		277.9	
441.8	~ buildings		335.7	
24.2	~ vehicles, machinery, furniture and equipment		23.8	
315.1	~ roads and bridges (infrastructure)		320.0	
2.1	~ country parks & open spaces (community Assets)		2.5	
3.4	~ surplus assets		12.1	
13.1	~ assets under construction		17.0	
1,153.6	**Total Property, Plant & Equipment**		989.0	**12**
38.4	Investment Property		23.0	**14**
0.0	Heritage Assets		3.9	**13**
1.6	Intangible assets		1.4	**15**
1,193.6	**Total fixed assets**		1,017.3	
0.6	Long-term Investments		0.1	
0.3	Long-term Debtors		0.7	**19**
1,194.5	**Total long-term assets**		**1,018.1**	
	Current assets			
57.7	Short Term Investments	134.5		
0.6	Inventories	0.6		**17**
61.8	Short Term Debtors	42.4		**19**
68.0	Cash and Cash Equivalents	92.4		**20**
7.5	Assets Held for Sale	3.5		**21**
0.8	Landfill Allowances Asset Account	0.0		
196.4			273.4	
	Current liabilities			
-4.7	Provisions (settlement within 12 months)	-6.9		**23**
-0.1	Short-term Borrowing	-12.3		
-87.6	Short Term Creditors	-89.9		**22**
-92.4			-109.1	
104.0	**Current assets less current liabilities**		**164.3**	
-2.1	Provisions (settlement over 12 months)		-0.8	**23**
-371.7	Long-term Borrowing (Loans)		-389.1	
-1.2	Long Term Creditors		-1.8	**22**
-27.4	Capital Grants Received In Advance		-17.8	**39**
	Other Long Term Liabilities			
-0.3	~ Finance Lease Liability		-0.2	
-461.5	~ Liability related to defined benefit pension scheme		-537.8	**25**
-864.2	**Long-term liabilities**		**-947.5**	
434.3	**Net assets**		**234.9**	

2011 £ millions	BALANCE SHEET AS AT 31ST MARCH £ millions	2012 £ millions	Notes
	Balance Sheet as at 31 March		
	Usable Reserves		
12.5	The General Reserve	15.7	24
53.2	Earmarked Reserves	70.0	24
0.2	The Capital Fund	0.3	24
0.0	Capital Receipts Reserve	0.0	
11.8	Capital Grants Unapplied Reserve	29.5	24
77.7	**Total Usable Reserves**	**115.5**	
	Unusable Reserves		
171.9	Revaluation Reserve	139.0	25
654.8	Capital Adjustment Account	525.9	25
0.6	Financial Instruments Adjustment Account	0.5	25
0.6	Available for Sale Financial Instruments Reserve	0.1	25
-11.0	Compensated Absences Reserve	-8.1	25
1.2	Collection Fund Adjustment Reserve	-0.2	25
-461.5	Pension Reserve	-537.8	25
356.6	**Total Unusable Reserves**	**119.4**	
434.3	**Total Reserves**	**234.9**	

John Betts
Head of Finance

Cash-flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generate and uses cash and cash equivalents by classifying cash flow as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

This section shows our income and spending for the year.

Year ended 31 March 2011 £ millions	Cash Flow	Year ended 31 March 2012 £ millions
56.2	Net surplus or deficit (-) on the provision of services	-126.0
-30.5	Adjust net surplus or deficit on the provision of services for noncash movements	204.1
-5.3	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-10.3
20.4	**Net cash flows from Operating Activities**	**67.8**
-49.1	Investing Activities	-63.3
35.9	Financing Activities	19.9
7.2	**Net increase or decrease in cash and cash equivalents**	**24.4**

Year ended 31 March 2011 £ millions	Reconciliation to Movement in Cash and Cash Equivalents	Year ended 31 March 2012 £ millions
60.8	Cash and cash equivalents at the beginning of the reporting period	68.0
68.0	Cash and cash equivalents at the end of the reporting period	92.4
7.2	**Movement in Cash and Cash Equivalents**	**24.4**

There was an increase of £24.4 million in cash and cash equivalents in the year ending 31 March 2012.

Notes to the Core Financial Statements

Note 1 Accounting Policies

A full list of accounting policies adopted by the authority in the presentation of these financial statements is shown in pages 15 to 27. The major change in accounting policies is a result of the new requirements in accounting for Heritage assets that have been applied this year. They are required to be applied retrospectively, but as the impact on our Balance Sheet is not material we have agreed with our auditors that we do not need to restate the accounting statements of prior years to reflect this change.

Note 2 Accounting Standards that have been Issued but have not yet been Adopted.

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Authority.

Note 3 Critical Judgements In Applying Accounting Policies

In applying the accounting policies set out on pages 15 to 27, the authority has 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, the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- A number of schools from which we have provided educational services in the year are not held as assets on our Balance Sheet. The issue of how to account for these schools under the requirements of IFRS is a matter of ongoing debate within CIPFA, and whilst awaiting clear guidance, we have chosen to maintain a consistent approach with our prior treatment of these assets. Hence we do not include the land or buildings of Academies, Foundation or Community schools in our balance sheet, and only include the playing fields associated with Voluntary Aided and Voluntary Controlled schools. This approach is based on the definitions of these school types contained within the Schools Standards and Frameworks Act 1998 and the Academies Act 2010.

- For the first time in 2011/2012 we are required to include Heritage Assets in our Balance Sheet under the requirements of FRS 30. We have identified Heritage Assets within areas such as our Museum stocks and displays and our Country Parks. However, some assets which could be classified as Heritage Assets were already included within our non-current asset values on the Balance Sheet in previous years. Where this is the case, we have chosen to leave the Heritage Asset's value in the original asset, if we determine that the authority's primary reason for holding the asset is in its main usage. Examples of this include operational bridges which are listed monuments but which are already included in the infrastructure asset valuation, and old buildings used for provision of services such as schools and museums.

- We also have had to determine how to value the assets which we have recognised as Heritage Assets. The value of some of these assets, such as the archives held by the County Records office cannot be reliably determined as there is no consistent market for them. Where this is the case we have disclosed the items in the notes to the accounts but have not included a value in the Balance Sheet. For other items we have up-to-date insurance values or historic cost values, and we have recognised the assets at these values.

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority 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 can not be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2012 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 can not 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 buildings would increase by £1.9 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% increase in the discount rate, in isolation, would result in a decrease in the pension liability of £97.3 million. During 2011/2012, the actuaries advised that the net pensions liability has decreased by £56.6 million as

		a result of estimates being corrected, experience losses and updating of the assumptions.

Note 5 Material items of Income and Expense

During 2011/2012, we have recorded a total loss on the disposal/transfer of fixed assets of £153.7 million, including £151.1 million relating to the transfer of schools to Academies during the year. Last year we recorded a total loss on disposal/transfer of fixed assets of £14.4 million of which £11.3 million related to a school transferring to Academy status and £3.0 million relating to a school changing status to a voluntary aided Church of England School. When schools transfer status during the year this can result in a loss on disposal/transfer as the asset has to come off our balance sheet but we do not receive any disposal proceeds for the transfer.

The Comprehensive Income and Expenditure Account contains a gain of £9.6 million for non distributed costs. In 2010/2011 we reported a total gain of £72.9 million. However we have shown £78.3 million was exceptional in the Comprehensive Income and Expenditure Account and was as a result of the government led change in the method of calculating increases in public service pensions. The remaining loss for non distributed costs for 2010/2011 was therefore £5.4 million.

Note 6 Events After the Balance Sheet Date

Academies

As a result of the Government's white paper 'The importance of Teaching', which allows Schools to opt out of Local Government control by becoming Academies, Warwickshire County Council is expecting a number of schools to take up the new status.

During 2011/2012 18 schools became Academies.

A total of 11 schools have applied or are applying to the Department for Education to convert to Academy status after 1st April 2012 at this time. This is based on information as at 26 June 2012.

The significance of the conversion from Community school to academy is that the value of the buildings and any vehicles, plant and equipment will be removed from the balance sheet of the County Council at the date of conversion.

For schools which were previously Voluntary Aided and Voluntary Controlled Schools we currently only carry the value of Vehicles, Plant and Equipment and playing fields in our balance sheet and these will be derecognised from the date of the change.

For Foundation and Trust schools the change to Academy status will not represent a change to our treatment in the Accounts because under the IFRS Code we do not hold the value of assets at these schools on our balance sheet.

The value of the derecognition of the schools converting to academy status after 31 March 2012 will be in the region of £35 million.

Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2011/2012	General Fund Balance £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
~ Charges for depreciation of non-current assets	46.3	0.0	0.0	0.0	-46.3
~ Revaluation losses on Property, Plant & Equipment non-current assets	8.9	0.0	0.0	0.0	-8.9
~ loss on held for sale assets	11.5	0.0	0.0	0.0	-11.5
~ Movements in the market value of Investment Properties	2.8	0.0	0.0	0.0	-2.8
~ Amortisation of intangible assets	0.3	0.0	0.0	0.0	-0.3
~ Capital Grants and Contributions applied	-49.8	0.0	0.0	0.0	49.8
~ Revenue expenditure funded from capital under statute	13.7	0.0	0.0	0.0	-13.7
~ Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	163.3	0.0	0.0	0.0	-163.3
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
~ Statutory provision for the repayment of debt	-18.5	0.0	0.0	0.0	18.5
~ Capital expenditure charged to the General Fund Balance	-8.0	0.0	0.0	0.0	8.0
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-24.2	0.0	0.0	24.2	0.0
~ Application of Grants to capital financing transferred to the Capital Adjustment Account	6.5	0.0	0.0	-6.5	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 Comprehensive Income and Expenditure Statement	-10.3	0.0	10.3	0.0	0.0
~ Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	-10.1	0.0	10.1
~ Contribution from the Capital Receipts Reserve/ Capital Fund towards administrative costs of non-current asset disposals	0.0	0.2	-0.2	0.0	0.0
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	0.0	0.0	0.0	-0.1
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire-fighters pension liabilities	-3.6	0.0	0.0	0.0	3.6
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	42.2	0.0	0.0	0.0	-42.2
~ Employers pensions contributions and direct payments to pensioners payable in the year	-33.8	0.0	0.0	0.0	33.8

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2011/2012	General Fund Balance £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Collection Fund Adjustment Account					
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	1.4	0.0	0.0	0.0	-1.4
Adjustment primarily involving the Accumulated Absences Account					
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	-2.9	0.0	0.0	0.0	2.9
Total Adjustments	**145.9**	**0.2**	**0.0**	**17.7**	**-163.8**

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2010/2011	General Fund Balance £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:					
~ Charges for depreciation of non-current assets	41.0	0.0	0.0	0.0	-41.0
~ Revaluation losses on Property, Plant & Equipment non-current assets	3.0	0.0	0.0	0.0	-3.0
~ gain on held for sale assets	-0.7	0.0	0.0	0.0	0.7
~ Movements in the market value of Investment Properties	1.8	0.0	0.0	0.0	-1.8
~ Amortisation of intangible assets	0.2	0.0	0.0	0.0	-0.2
~ Capital Grants and Contributions applied	-44.7	0.0	0.0	0.0	44.7
~ Revenue expenditure funded from capital under statute	17.9	0.0	0.0	0.0	-17.9
~ Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	19.5	0.0	0.0	0.0	-19.5
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement					
~ Statutory provision for the repayment of debt	-17.7	0.0	0.0	0.0	17.7
~ Capital expenditure charged to the General Fund Balance	-5.1	0.0	0.0	0.0	5.1
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-6.1	0.0	0.0	6.1	0.0
~ Application of Grants to capital financing transferred to the Capital Adjustment Account	0.9	0.0	0.0	-0.9	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 Comprehensive Income and Expenditure Statement	-5.3	0.0	5.3	0.0	0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	-5.2	0.0	5.2
~ Contribution from Capital Receipts Reserve towards administrative costs of non-current asset disposals	0.0	0.1	-0.1	0.0	0.0
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	0.0	0.0	0.0	-0.1
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire-fighters pension liabilities	-3.0	0.0	0.0	0.0	3.0
~ Reversal of net charges made for retirement benefits in accordance with IAS 19	-12.7	0.0	0.0	0.0	12.7
~ Employers pensions contributions and direct payments to pensioners payable in the year	-34.0	0.0	0.0	0.0	34.0

Adjustments Between Accounting Basis and Funding Basis Under Regulations - 2010/2011	General Fund Balance £millions	Capital Fund £millions	Capital Receipts Reserve £millions	Capital Grants Unapplied £millions	Movement in Unusable Reserves net spending £millions
Adjustments primarily involving the Collection Fund Adjustment Account					
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	0.0	0.0	0.0	0.7
Adjustment primarily involving the Accumulated Absences Account					
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	2.2	0.0	0.0	0.0	-2.2
Total Adjustments	**-43.4**	**0.1**	**0.0**	**5.2**	**38.1**

Note 8 Transfers to/from Earmarked Reserves

Movement in earmarked reserves	Balance at 1 April 2011 £ millions	Transfers Out £ millions	Transfers In £ millions	Balance at 31 March 2012 £ millions
Schools Balances (under a scheme of delegation)	22.5	-2.4	0.0	20.1
Insurance Fund	11.0	-3.0	0.0	8.0
DSG Reserve	4.4	-2.7	0.0	1.7
LPSA Reserve	1.1	-1.1	0.1	0.1
Equal Pay Reserve	3.0	-0.7	0.0	2.3
IT for Schools	-0.3	0.0	0.2	-0.1
PFI credits Reserve	1.0	-0.1	0.0	0.9
Virtual Bank Loans	-0.6	0.0	0.6	0.0
Service Realignment Fund	0.6	-6.9	7.6	1.3
Capacity Building Fund	0.3	-0.1	0.1	0.3
Elections Reserve	0.1	0.0	0.1	0.2
Other Service Savings and earmarked reserves (net movement)	10.1	0.0	25.1	35.2
Total	**53.2**	**-17.0**	**33.8**	**70.0**

Movement in earmarked reserves	Balance at 1 April 2010 £ millions	Transfers Out £ millions	Transfers In £ millions	Balance at 31 March 2011 £ millions
Schools Balances (under a scheme of delegation)	14.4	0.0	8.1	22.5
Insurance Fund	10.3	0.0	0.7	11.0
DSG Reserve	5.1	-0.7	0.0	4.4
LPSA Reserve	0.7	0.0	0.4	1.1
Equal Pay Reserve	1.3	0.0	1.7	3.0
IT for Schools	-0.3	0.0	0.0	-0.3
PFI credits Reserve	1.0	0.0	0.0	1.0
Virtual Bank Loans	-0.9	-1.0	1.3	-0.6
LABGI Reserve	0.7	-0.7	0.0	0.0
Service Realignment Fund	7.1	-6.5	0.0	0.6
Capacity Building Fund	0.1	0.0	0.2	0.3
Elections Reserve	0.0	0.0	0.1	0.1
Other Service Savings and earmarked reserves (net movement)	5.2	0.0	4.9	10.1
Total	**44.7**	**-8.9**	**17.4**	**53.2**

The money that service departments set aside is held to make sure that they can meet future known budget commitments, and that the services will have the resources to react to any unexpected events they may be responsible for. The balances held are reported to Members on a regular basis. The reportable segments are as follows:

Balance as at 31 March 2011 Restated £ millions	Earmarked Reserves	Balance as at 31 March 2012 £ millions
2.9	People Group	17.1
3.9	Communities Group	9.1
2.2	Resources Group	5.4
0.9	Fire Service	2.2
27.6	Schools (including DSG, PFI credits and school loans)	22.7
15.7	Other Services and Corporate Reserves (includes insurance fund and service realignment fund)	13.5
53.2	**Total**	**70.0**

Due to a restructure completed during 2011/2012 the balances for 2010/2011 have been restated for comparative purposes.

Note 9 Other Operating Expenditure

2010/2011 £ millions	Other Operating Expenditure	2011/2012 £ millions
0.2	Levies:- Environment Agency Levy	0.2
-0.7	Gains (-) / Losses on disposal of current assets - held for sale	11.5
14.4	Losses on disposal/transfer of non-current assets	153.7
13.9		**165.4**

Note 10 Financing and Investment Income and Expenditure

2010/2011 Restated £ millions	Financing and Investment Income and Expenditure	2011/2012 £ millions
18.3	Interest payable and similar charges	19.1
27.7	Pensions Interest cost and expected return on pensions assets	19.2
-1.1	Interest receivable and similar income	-1.4
-7.3	Trading account income	-5.3
6.6	Trading account expenditure	4.2
1.8	Income and expenditure in relation to investment properties and changes in their fair value	2.8
0.0	Profit on sale of investments	-0.3
0.1	Other investment income/expenditure	0.1
46.1		**38.4**

Note 11 Taxation and Non Specific Grant Incomes

2010/2011 £ millions	Taxation and Non Specific Grant Incomes	2011/2012 £ millions
231.6	~ Council tax income	233.1
80.4	~ Non domestic rates	82.0
11.7	~ Revenue Support Grant	25.3
	Other non-ringfenced Government grants	
3.0	~ Fire Pensions Fund Grant (Gain)	3.6
33.1	~ Revenue grants	37.7
37.2	~ Capital grants and contributions	60.1
397.0		**441.8**

Note 12 – Property, Plant & Equipment

Property, Plant & Equipment	Land & Buildings £ millions	Surplus Assets £ millions	Vehicles, Machinery, Furniture & Equipment £ millions	Road & Bridges £ millions	Country parks & open spaces £ millions	Assets under cons-truction £ millions	Total £ millions
Gross book Value at 1 April 2011	832.7	3.4	49.5	389.9	2.2	13.1	1,290.8
Depreciation balance at 1 April 2011	-37.0	0.0	-25.3	-74.8	-0.1	0.0	-137.2
Net book value at start of the year - 1 April 2011)	**795.7**	**3.4**	**24.2**	**315.1**	**2.1**	**13.1**	**1,153.6**
Changes in the year							
~ opening balance adjustment	-0.7	0.0	0.0	0.0	0.5	0.0	-0.2
~ Reclassifications	-24.6	21.2	-0.2	0.0	0.0	0.0	-3.6
~ spending on assets	19.2	0.0	3.8	17.0	0.0	12.7	52.7
~ transfer of Assets under Construction to Operational Assets on project completion	2.0	0.0	2.3	0.9	0.0	-5.3	-0.1
~ value of assets we have sold/transferred	-156.7	0.0	-2.7	0.0	0.0	-3.5	-162.9
~ changes in the value of assets: revaluation	-6.0	-12.7	0.0	0.0	0.0	0.0	-18.7
~ reversal of prior year impairments	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Depreciation							
~ reclassifications	0.7	-0.7	0.0	0.0	0.0	0.0	0.0
~ depreciation written off on revaluation	4.9	0.7	0.0	0.0	0.0	0.0	5.6
~ depreciation written off on disposal	6.7	0.0	2.0	0.0	0.0	0.0	8.7
~ depreciation	-27.6	0.0	-5.6	-13.0	-0.1	0.0	-46.3
Net book value at the end of the year - 31 March 2012	**613.6**	**12.1**	**23.8**	**320.0**	**2.5**	**17.0**	**989.0**

Property, Plant & Equipment	Land & Buildings £ millions	Surplus Assets £ millions	Vehicles, Machinery, Furniture & Equipment £ millions	Road & Bridges £ millions	Country parks & open spaces £ millions	Assets under cons-truction £ millions	Total £ millions
Gross book Value at 31 March 2012	665.9	12.1	52.7	407.8	2.7	17.0	1,158.2
Depreciation balance at 31 March 2012	-52.3	0.0	-28.9	-87.8	-0.2	0.0	-169.2
Net book value at the end of the year - 31 March 2012	**613.6**	**12.1**	**23.8**	**320.0**	**2.5**	**17.0**	**989.0**

Property, Plant & Equipment	Land & Buildings £ millions	Surplus Assets £ millions	Vehicles, Machinery, Furniture & Equipment £ millions	Road & Bridges £ millions	Country parks & open spaces £ millions	Assets under cons-truction £ millions	Total £ millions
Gross book Value at 1 April 2010	833.0	3.1	41.8	261.4	2.2	129.1	1,270.6
Depreciation balance at 1 April 2010	-22.9	0.0	-21.5	-64.4	0.0	0.0	-108.8
Gross book value prior period adjustment	1.7	0.0	1.5	38.6	0.0	-43.6	-1.8
Depreciation/amortisation balance prior period adjustment	0.0	0.0	0.0	-0.4	0.0	0.0	-0.4
Net book value at start of the year - 1 April 2010	**811.8**	**3.1**	**21.8**	**235.2**	**2.2**	**85.5**	**1,159.6**
Changes in the year							
~ opening balance adjustment	0.1	0.0	0.0	0.0	0.0	-1.1	-1.0
~ Reclassifications	-17.0	-0.2	0.0	0.0	0.0	-2.6	-19.8
~ spending on assets	31.6	0.0	4.8	28.6	0.0	5.6	70.6
~ transfer of Assets under Construction to Operational Assets on project completion	11.1	0.0	2.5	61.3	0.0	-74.9	0.0
~ value of assets we have sold/transferred	-15.3	0.0	-1.1	0.0	0.0	0.0	-16.4
~ changes in the value of assets: revaluation	-12.7	0.5	0.0	0.0	0.0	0.6	-11.6
~ reversal of prior year impairments	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Depreciation							
~ depreciation written off on revaluation	11.1	0.0	0.0	0.0	0.0	0.0	11.1
~ depreciation written off on disposal	0.9	0.0	0.9	0.0	0.0	0.0	1.8
~ depreciation	-26.1	0.0	-4.7	-10.0	-0.1	0.0	-40.9
Net book value at the end of the year - 31 March 2011	**795.7**	**3.4**	**24.2**	**315.1**	**2.1**	**13.1**	**1,153.6**

Property, Plant & Equipment	Land & Buildings £ millions	Surplus Assets £ millions	Vehicles, Machinery, Furniture & Equipment £ millions	Road & Bridges £ millions	Country parks & open spaces £ millions	Assets under cons-truction £ millions	Total £ millions
Gross book Value at 31 March 2011	832.7	3.4	49.5	389.9	2.2	13.1	1,290.8
Depreciation balance at 31 March 2011	-37.0	0.0	-25.3	-74.8	-0.1	0.0	-137.2
Net book value at the end of the year - 31 March 2011	**795.7**	**3.4**	**24.2**	**315.1**	**2.1**	**13.1**	**1,153.6**

Table may not sum due to roundings

Our Land and Building assets includes Schools, Fire Stations, Libraries, Homes for the elderly and physically disabled, waste disposal sites and other buildings.

The total loss on the sale/transfer of assets included in the Comprehensive Income and Expenditure Account is £153.6 million. Material losses include £151.1 million due to the write-out of Academy schools as they transfer off our Balance Sheet. No capital income is received in relation to these disposals/transfers.

This loss is then reversed through the Movement in Reserves Statement. The expenses on sale of assets are funded through the Capital Fund.

Depreciation

All assets with a limited useful life, such as vehicles and buildings, are reduced in value to cover the economic usage of the asset. This reduction in value is called depreciation. We charge depreciation cost on buildings over our valuers' estimate of their useful economic life (between 10 and 62 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 12 years for vehicles and between 3 and 25 years for equipment).

~ Our new assets begin to fall in value from the start of the next financial year after they are ready to be used. Assets or projects with incomplete spend are classified as Assets Under Construction on the balance sheet and are recorded at historic cost.

~ An asset's value falls on a straight-line basis throughout its useful economic life with a constant proportion of the assets' gross value being deducted every year. If the gross value of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year.

~ We charge depreciation costs on buildings as a single asset. However, if we determine that the costs of likely refurbishments 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 useful economic life of the whole asset is reduced to reflect this.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investments properties or assets held for sale. Similarly, heritage assets, included in the accounts this year for the first time, are generally assessed to have infinite lives by definition and so are not depreciated. As part of the revaluation of the Council's land and buildings estate in 2008/2009, valuers supplied new estimates of these assets' useful economic lives. These estimates were reflected in the depreciation charges for 2011/2012.

As part of the revalution of the Council's land and buildings estate in 2008/2009, the valuers supplied new estimates of these assets' useful economic lives. These estimates were reflected in the depreciation charges for 2011/2012.

We do not charge depreciation on Investment Properties or Assets Held For Sale.

Capital Commitments

At 31 March 2012, the authority has entered into a number of contracts for the construction or enhancement of Property, Plant & Equipment in 2012/2013 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for totals £17.3 million. Similar commitments at 31st March 2011 were £5.2 million.

The largest outstanding commitments are as follows.

1 Lower House Farm Household Waste Recycling Centre - £4.27 million
2 The Willows C of E Primary School - £2.28 million
3 Oakfield Primary School & Merttens Centre - £1.23 million
4 Camp Hill Primary School - £1 .0 million.

Effects of Changes in Estimates

There have been no material changes to our accounting estimates for Property, Plant and Equipment in 2011/2012.

Revaluations

Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our own qualified members of the Royal Institution of Chartered Surveyors carry out valuations alongside any external valuers appointed by the Council.

The closing balances on 31 March 2012 were valued in the following ways.

~ Land and buildings are included in the balance sheet at their open-market value based on their existing use. However, where there is insufficient market valuation evidence, some land and buildings, for example schools, are included in the balance sheet at a depreciated replacement cost. Surplus assets which are not likely to be disposed of in the next twelve months are valued as their previous use.

~ We have included assets that we do not use in our day-to-day work, including investment properties and assets we intend to sell within the next twelve months, in the balance sheet at their open-market value. These assets are revalued every year.

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

Heritage assets are included in our accounts for the first time this year following the introduction of FRS 30 to the Code of Practice. Where heritage assets, defined as assets preserved in trust for their cultural, environmental or historical associations, have been identified within previously recognised operational assets, their values have been left in the original designations. For heritage assets not previously recognised in operational assets, we have sought a valuation where the cost of obtaining this was commensurate with the benefit to the authority. Identifiable heritage assets without obtainable valuations are disclosed within note 53.

We revalue all those fixed assets which are held at a value other than depreciated historic cost, at least once every five years. In 2008/2009 the council carried out a full revaluation of all its land and building assets. All revaluations in 2011/2012 have been carried out by Council RICS qualified staff. We adjust for any major changes to the value of assets as they happen, whether due to events affecting groups of assets or single assets, and we review the need to revalue any asset where there has been more than £0.250 million spend each year. When assets are revalued, if they are worth more than we paid for them, we add the difference to the Revaluation Reserve.

Note 13 – Heritage Assets

Heritage Assets	**Golden Tower of Leaves** £ millions	**Waller Woodcote Documents** £ millions	**Community/ Other Assets** £ millions	**Museum Collections** £ millions	**Judges House and Shire Hall** £ millions	**Total** £ millions
Cost or Valuation at 1 April 2011	0.0	0.0	0.0	0.0	0.0	0.0
Changes in the year						
~ Reclassifications	0.0	0.2	0.1	0.0	0.0	0.3
~ Additions	0.1	0.0	0.0	0.0	0.0	0.1
~ Disposals	0.0	0.0	0.0	0.0	0.0	0.0
~ Revaluations / Recognition	0.0	0.0	0.9	1.8	0.8	3.5
~ Impairment loses/reversals (-) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0
~ Impairment losses/(reversals) recognised in surplus or deficit on the provision of services	0.0	0.0	0.0	0.0	0.0	0.0
~ depreciation	0.0	0.0	0.0	0.0	0.0	0.0
Net book value at the end of the year 31 March 2012	**0.1**	**0.2**	**1.0**	**1.8**	**0.8**	**3.9**

Current Heritage Assets

For 2011/2012 the total value of our heritage assets is £3,904,474. This includes a value of £168,951 for the Waller Woodcote Collection, and insurance valuations of £812,720 for valuables in the Courts, Judges House and Shire Hall and £1,842,300 for our Museums Service collections. There is also the newly installed artwork Golden Tower of Leaves / Gold Leaf: Buried Sunlight at Pooley Country Park which is valued at a cost of £135,000. In addition to this we have structures which were previously classified as community or other assets which have an insurance valuation of £945,503.

In the 2010/2011 accounts Heritage Assets were not included in the Balance Sheet. However, in Note 2, which discussed likely values to be recognised in 2011/2012, the disclosed value was £1,663,091 which included £1,494,140 for the Museums Service collections and £168,951 for the Waller of Woodcote Collection. We did not include an insurance value of £755,700 for Heritage assets relating to the Courts, Judges House and Shire Hall. In addition to this we did not report the structures based in our community or other assets which had an insurance value of £685,608 in 2010/2011.

Including these assets the 2010/2011 disclosed value would have been £3,093,679. In 2010/2011 the Golden Tower of Leaves had not yet been installed.

Museum Collections

The museum collections are reported at insurance valuation.

There are only two items with an insured value of over £100,000. The insurance valuations are effective from 1 April 2012 to 31 March 2012.

Shire Hall, Judges House and Courts Collections

Shire Hall, Judges House and Courts Collections are reported at insurance valuation. The 2011/2012 insured value of the assets within the Courts, Judges House and Shire Hall is £812,720. This value relates to portraits and items of furniture none of which are individually valued at more than £62,000.

County Records Office Collections

The Waller of Woodcote archive collection of family and estate letters and deeds providing an insight into Warwickshire life from the 12th Century has been included as an asset in the Balance Sheet at a cost value of £168,951 since its acquisition in 2007/2008.

The value has been transferred from our operational to our heritage assets in 2011/2012. The transfer of this archive from operational to heritage assets has coincided with a change to depreciation resulting from a previous error. There is an opening reversal of £33,790 worth of depreciation to restore the asset to its correct value.

Apart from the Waller of Woodcote collection we have been unable to obtain a value for the documents in the County Records Office so these archives will not be recognised in the balance sheet figure. These assets are one off historical documents, which makes them simultaneously priceless and yet without market value. It is also very costly and time consuming to obtain such valuations. We are therefore of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

The County Council currently has an arrangement for Parish and early court records to be viewed on-line. The asset in this case remains the record held within our records office and not the electronic availability.

Operational Heritage Assets

Operational heritage assets (i.e. those that in addition to being held for their heritage characteristics are also used for other activities or provide other services) are accounted for elsewhere in the Balance Sheet and valued in the same way as other assets of that type. There will be a zero balance for these items within Heritage Assets.

Operational heritage assets held by the Council include Market Square Museum, St John's House Museum, Judges House and the old County Courts, and the following groups of assets:-

Ancient Monuments

The Council has a number of ancient monuments which it is responsible to maintain as part of the public highway. They include visible structural elements of the roads system and are mainly bridges. We have 55 structures which fall into this category. Since they are already included within the valuation of our Infrastructure assets, their value is not disclosed under heritage assets within the accounts.

Smallholdings

In addition we have a number of heritage assets within our smallholdings. Some examples of these are ridge and furrow fields, a farm which is a Site of Special Scientific Interest (SSSI) or sites with underground archaeology or listed farm buildings. The carrying amount of these items under heritage assets is zero because they are within our Smallholdings assets which are included within Plant, Property and Equipment.

Schools

It is expected that within our schools there will occasionally be structures or buildings or artwork which may be classed as a heritage asset. The carrying amount of these is zero under heritage assets because they are within our School assets which are included within Plant, Property and Equipment.

Heritage Assets previously within our Community or other Assets

The Council previously had 5 assets classified as Community or other Assets that it will classify as Heritage Assets in 2011/2012. These assets are recognised on the balance sheet based on their insurance valuations since it is extremely difficult and costly to provide valuations based upon conventional methods. The total value of these assets is as follows:-

	Previous Value on Balance Sheet 31 March 2011 £	New Method of Valuation £	Revaluation Amount £	New Value on Balance Sheet 31 March 2012 £
Stockton Cutting	De minimis	Insurance	Nil	De minimis
Beacon Tower	55,620	Insurance	231,106	286,726
Alvecote Priory	De minimis *	Insurance	75,049	75,049
Chesterton Windmill	De minimis *	Insurance	583,728	583,728
Clopton Bridge gazebo	De minimis *	Insurance	Nil	De minimis
Total Additions	**55,620**	**-**	**889,883**	**945,503**

* It should be noted that the insurance value of these structures in 2010/2011 was £674,888; however in 2010/2011 they were valued using conventional methods in line with the reporting standards relevant to their classification which meant in the balance sheet they were de-minimis.

The gains on reclassification will be taken to the revaluation reserve.

Stockton Cutting

This is a local nature reserve which is run in conjunction with Warwickshire Wildlife Trust. It is described as a steep sided disused railway cutting with a diverse flora and a good range of butterfly species. We have reclassified it as a heritage asset as, unlike our other country parks, there are no provided amenities such as playgrounds, picnic areas, visitor centres and tea rooms. The value of this asset is de minimis.

Beacon Tower (Burton Dassett Hills)

The Beacon Tower is the focal point of the hilly landscape at the Burton Dassett Hills Country Park. The structure had two doorways and two windows before it was filled in, and was probably used to pass signals across the county. It was reportedly built in the late 15th Century at the direction of the Lord of the Manor Sir Edward Belknap. It was previously included on the balance sheet at £55,620. This value will be transferred from operational community assets to heritage assets at 1 April 2011 where it will be revalued and reported at the insured replacement cost of £286,726.

Alvecote Priory (Pooley Fields Country Park)

This is the ruin of a Benedictine Priory and Dovecote in the Pooley Fields Country Park. Very little remains of the Priory although the main entrance arch is still standing. There is also a visitor centre which contains donated mining memorabilia. The insured replacement cost of the whole site is £75,049.

Chesterton Windmill

Chesterton Windmill is a 17th Century Grade 1 listed stone tower windmill located outside the village of Chesterton. The Council is responsible for its maintenance under the Ancient Monument Act 1931. The insured replacement cost is £583,728.

Gazebo, Clopton Bridge, Stratford

This is an 18th century gazebo situated close to the south end of Clopton Bridge in Stratford upon Avon. This has been valued at less than the de minimis of £25,000.

In addition to the above structures located within our Community Assets the Pooley Fields Country Park has a new focal point the Golden Tower of Leaves or Gold Leaf: Buried Sunlight. This was installed in 2011/2012 and is valued at its cost of £135,000.

Acquisitions

There have been no other significant acquisitions during 2011/2012.

Disposals

There have been no significant disposals of heritage assets in 2011/2012.

Note 14 – Investment Properties

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

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

31 March 2011 £ million	Investment Properties	31 March 2012 £ million
-0.2	Direct operating expenses arising from investment property	-0.3
-0.2	**Net gain/loss (-)**	**-0.3**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

31 March 2011 £ million	Investment Properties	31 March 2012 £ million
19.4	Balance at the start of the year	38.4
1.0	Opening balance adjustment	0.0
0.0	Additions	0.3
-1.0	Disposals	-1.4
-1.8	Net Gains/Losses (-) from fair value adjustments	-2.8
	Transfers:-	
20.8	~ to (-)/from Property, Plant & Equipment	-11.5
38.4	**Balance at the end of the year**	**23.0**

Note 15 Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant & Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the authority. The useful lives assigned to the major software suite used by the authority are:-

	Internally Generated Assets	Other Assets
3 years	None	None
5 years	None	None
10 years	None	HR suite, Financial suite

We do not hold any patents. We incurred spending on a number of software licences and development of £1.1 million in 2011/2012 (£1.0 million in 2010/2011). 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) as above. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.4 million charged to revenue in 2011/2012 was charged to a number of services, some of which 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:-

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 1 April 2011	2.7	0.0	0.0	2.7
Amortisation balance at 1 April 2011	-1.1	0.0	0.0	-1.1
Net book value at the start of the year - 1 April 2011	**1.6**	**0.0**	**0.0**	**1.6**
Changes in the year				
~ Spending on assets	0.0	0.0	0.0	0.0
~ Transfer from WIP to complete	0.1	0.0	0.0	0.1
~ Value of assets we have sold	0.0	0.0	0.0	0.0
Amortisation				
~ Amortisation	-0.3	0.0	0.0	-0.3
Net book value at the end of the year - 31 March 2012	**1.4**	**0.0**	**0.0**	**1.4**

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 31 March 2012	2.8	0.0	0.0	2.8
Amortisation balance at 31 March 2012	-1.4	0.0	0.0	-1.4
Net book value at the end of the year - 31 March 2012	**1.4**	**0.0**	**0.0**	**1.4**

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 1 April 2010	1.2	0.0	0.0	1.2
Amortisation balance at 1 April 2010	-0.8	0.0	0.0	-0.8
Gross book value prior period adjustment	0.7	0.0	0.0	0.7
Net book value at the start of the year - 1 April 2010	**1.1**	**0.0**	**0.0**	**1.1**
Changes in the year				
~ Spending on assets	0.8	0.0	0.0	0.8
~ Transfer from WIP to complete	0.0	0.0	0.0	0.0
~ Value of assets we have sold	0.0	0.0	0.0	0.0
Amortisation				
~ Amortisation	-0.3	0.0	0.0	-0.3
Net book value at the end of the year - 31 March 2011	**1.6**	**0.0**	**0.0**	**1.6**

Intangible assets	Software licences we have bought £ million	Licences, trademarks and artistic originals £ million	Patents £ million	Total £ million
Gross book Value at 31 March 2011	2.7	0.0	0.0	2.7
Amortisation balance at 31 March 2011	-1.1	0.0	0.0	-1.1
Net book value at the end of the year - 31 March 2011	**1.6**	**0.0**	**0.0**	**1.6**

No changes in accounting estimates for intangible assets have had an effect on the current period or are expected to have an effect in subsequent periods.

No intangible assets are assessed as having an indefinite useful life.

There are no items of capitalised software that are individually material to the financial statements.

In September 2009 the authority entered into a contract for the replacement of its financial systems. The new system was implemented during 2010/2011 and 2011/2012 and is expected to be completely operational during 2012/2013. The total budgeted cost of the system to be capitalised is £1.3 million, including a significant element of new hardware required to host the system.

Intangible assets are valued at historic cost (the cost at which they were bought).

No intangible assets have been acquired by way of government grant and initially recognised at fair value.

Note 16 Financial Instruments

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

Fair values of borrowings and investments	Long Term On 31 March 2012 £ millions	Long Term On 31 March 2011 £ millions	Current On 31 March 2012 £ millions	Current On 31 March 2011 £ millions
~ Financial Liabilities at amortised cost	391.1	373.2	96.6	83.1
~ Financial Liabilities at fair value through profit and loss	432.4	360.3	96.6	83.1
Total borrowings	**432.4**	**360.3**	**96.6**	**83.1**
~ Loans and receivables	0.7	0.3	171.4	113.7
~ Available-for-sale financial assets	0.1	0.6		
Total investments	**0.8**	**0.9**	**171.4**	**113.7**

Interest Paid and Investment Income 2011/2012	Financial Liabilities Liabilities Measured at amortised cost £ millions	Financial Assets Loans and receivables £ millions	Available for sale assets £ millions	Total £ millions
~ Interest expense	19.1	0.0	0.0	19.1
Interest payable and similar charges	**19.1**	**0.0**	**0.0**	**19.1**
~ Interest income	0.0	1.3	0.0	1.3
Interest and Investment Income	**0.0**	**1.3**	**0.0**	**1.3**
~ Loss on revaluation	0.0	0.0	-0.2	
Net gain/loss (-) for the year	**19.1**	**1.3**	**-0.2**	

Interest Paid and Investment Income 2010/2011	Financial Liabilities Liabilities Measured at amortised cost £ millions	Financial Assets Loans and receivables £ millions	Available for sale assets £ millions	Total £ millions
~ Interest expense	18.3	0.0	0.0	18.3
Interest payable and similar charges	**18.3**	**0.0**	**0.0**	**18.3**
~ Interest income	0.0	1.1	0.0	1.1
Interest and Investment Income	**0.0**	**1.1**	**0.0**	**1.1**
~ Gain on revaluation	0.0	0.0	0.1	
Net gain/loss (-) for the year	**18.3**	**1.1**	**0.1**	

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. 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
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:-

Fair value of financial liabilities and loans receivable	31 March 2012 Carrying Amount £ millions	31 March 2012 Fair Value £ millions	31 March 2011 Carrying Amount (Restated) £ millions	31 March 2011 Fair Value (Restated) £ millions
Financial Liabilities	487.7	528.9	456.3	443.3
Loans and receivables	172.1	171.9	114.0	114.2

Note 17 Inventories

2010/2011 Total £ millions	Inventories	2011/2012 Total £ millions
0.6	Balance at start of year	0.6
0.6	Purchases	0.6
-0.6	Recognised as an expense in the year	-0.6
0.6	**Balance outstanding at year end**	**0.6**

We have no material types of inventories and so the above shows the change in valuation in the year of the inventories we hold.

Note 18 Construction Contracts

At 31 March 2012 the authority did not have any construction contracts in progress for other organisations. No construction contracts have been completed in 2011/2012 or 2010/2011.

Note 19 Debtors

On 31 March 2011 £ millions	Long-term debtors	On 31 March 2012 £ millions
0.2	Deposits and advances	0.6
0.1	Other long-term debtors	0.1
0.3	**Balance at the end of the year**	**0.7**

On 31 March 2011 £ millions	Short Term Debtors and prepayments	On 31 March 2012 £ millions
14.4	Trade Debtors (invoiced income system)	9.5
38.2	Other trade debtors and prepayments	23.7
4.2	VAT (due to us)	4.5
6.7	Council Tax Debtors	6.8
0.5	Amounts owed by billing authorities in respect of Collection Fund	0.2
1.0	Capital debtors and prepayments excluding invoiced income	1.2
65.0	**Total debtors**	45.9
-3.2	less provision for bad debts (debts we consider may not be paid)	-3.5
61.8	**Balance at the end of the year**	**42.4**

On 31 March 2011 £ millions	All Debtors and prepayments	On 31 March 2012 £ millions
0.3	Long Term Debtors	0.7
61.8	Short Term Debtors (due less than 12 months)	42.4
62.1	**Total Debtors**	**43.1**
9.9	Central Government Bodies	8.8
3.6	Other Local Authorities	5.2
4.4	NHS Bodies	1.5
44.2	Other Entities and Individuals	27.6
62.1	**Balance at the end of the year**	**43.1**

Note 20 Cash and Cash Equivalents

On 31 March 2011 £ millions	Cash and Cash Equivalents	On 31 March 2012 £ millions
9.0	Cash held by the authority (including schools and imprest accounts)	17.5
10.0	Bank Current Accounts (Call accounts)	10.0
49.0	Short-term Deposits with building societies and other institutions less than 3 months maturity	64.9
68.0	**Total Cash and Cash Equivalents**	**92.4**

Note 21 Assets Held For Sale

On 31 March 2011 Current £ millions	Assets Held For Sale	On 31 March 2012 Current £ millions
11.6	Balance outstanding at start of year	7.5
	Assets newly classified as held for sale:	
0.0	~ Property, Plant and Equipment	14.9
0.7	Revaluation gains	0.0
0.0	Revaluation losses	-11.5
	Assets declassified as held for sale:	
-0.9	~ Property, Plant and Equipment	0.0
-3.9	Assets sold	-7.4
0.0	Transfers from non-current to current	0.0
7.5	**Balance outstanding at year end**	**3.5**

Note 22 Creditors

On 31 March 2011 £ millions	Creditors	On 31 March 2012 £ millions
1.2	Long Term	1.8
87.6	Short Term (less than 12 months)	89.9
88.8	**Total Creditors**	**91.7**
39.0	Trade and other creditors (including payments to staff)	48.4
8.0	Tax and money we owe to social security	6.2
21.0	Money we have received in advance	12.4
2.8	Council Tax Overpayments and Prepayments	2.2
11.1	Accumulated absences accruals (IFRS)	8.1
1.8	Amounts owed to billing authorities	3.4
5.1	Capital creditors	11.0
88.8	**Balance at the end of the year**	**91.7**

On 31 March 2011 £ millions	Creditors	On 31 March 2012 £ millions
26.0	Central Government Bodies	8.3
4.9	Other Local Authorities	8.0
0.1	NHS Bodies	2.1
0.1	Public Corporations and Trading Funds	1.4
57.7	Other Entities and Individuals	71.9
88.8	**Balance at the end of the year**	**91.7**

Note 23 Provisions

On 31 March 2011 Total £ millions	Provisions	On 31 March 2012 Landfill Usage account £ millions	On 31 March 2012 Employee Related Provisions £ millions	On 31 March 2012 Other provisions £ millions	On 31 March 2012 Total £ millions
2.2	**Balance at the start of the year** (Restated for rounding)	0.8	5.6	0.4	6.8
6.5	Additional Provisions made in the year	0.0	0.4	3.1	3.5
-1.7	Amounts used in the year	-0.8	-1.5	-0.3	-2.6
-0.2	Unused amounts reversed in the year	0.0	0.0	0.0	0.0
6.8	**Balance at the end of the year**	**0.0**	**4.5**	**3.2**	**7.7**
	Held by services for:				
6.0	~ specific service liabilities	0.0	4.5	3.2	7.7
0.8	~ liability for landfill usage account	0.0	0.0	0.0	0.0
6.8	**Total**	**0.0**	**4.5**	**3.2**	**7.7**
	Analysis:				
2.1	~ long term	0.0	0.5	0.3	0.8
4.7	~ short term (settlement expected within 12 months)	0.0	4.0	2.9	6.9
6.8	**Total**	**0.0**	**4.5**	**3.2**	**7.7**

Landfill Usage Account

We have set up the liability for landfill usage account (£0.007 million) for allowances used in the year at a valuation of £0.11 per tonne. This is a notional accounting treatment. No cash will actually be paid over.

Employee Related Provisions

We have acknowledged that we have a probable liability based on past employment circumstances. We are still in negotiations and at this time no agreement has been reached. We are prudently providing an amount in the accounts. We expect any settlement to be made within the next 12 months at this stage.

In addition we have had to plan to reduce our staff numbers to deliver our savings programme over the next couple of years. We have accounted for these employment costs but only where the decisions taken are irreversible.

An amount of £0.056 million we have set aside for a provision for compensation claims in relation to phase 1 of our single status (equal pay) review. Payments are expected to be finalised in 2012/2013 and future years.

We have provided £0.2 million for a retained fire-fighters holiday pay provision. Payments are expected to be settled within 2012/2013.

Other Provisions

An amount of £0.3 million we have set aside for children in hospital who are receiving education that is provided by other local education authorities. We will pay claims in future years as each one is finalised.

The Council's former liability insurers, Municipal Mutual Insurance (MMI) went into run-off (ceased to write new business) on 30 September 1992, following which a contingent Scheme of Arrangement became effective on January 1994 to ensure a smooth run-off should MMI subsequently be declared insolvent. In the event of the Scheme being triggered, claims paid by MMI after 30 September 1992 will be liable to claw back, at a percentage to be determined by the administrators, with subsequent claims to be paid in part at the same percentage.

A recent Supreme Court judgement relating to establishment of liability arising from mesothelioma claims under employers' liability policies has resulted in the increased possibility of the Scheme being triggered. We have set aside £2.8 million to cover the claw back and the outstanding claims.

All other provisions are individually insignificant.

Note 24 Usable Reserves

Movements in the Authority's usable Reserves are detailed in the Movement in Reserves Statement and in Notes 7 & 8. A summary of revenue and capital usable reserves is shown below:-

Movement in Usable Reserves	**Revenue reserves £ millions**		**Total £ millions**
	General reserves	**Earmarked reserves**	
Balance on 1 April 2011	12.5	53.2	65.7
Surplus / Shortfall (-) for the year	3.2	0.0	3.2
Changes in reserves during the year	0.0	16.8	16.8
Balance on 31 March 2012	**15.7**	**70.0**	**85.7**

Movement in Usable Reserves	Capital Reserves £ millions			
	Capital Receipts Reserve	Capital Grants Unapplied Reserve	Capital fund	Total £ millions
Balance on 1 April 2011	0.0	11.8	0.2	12.0
Income from selling our assets	10.3	0.0	0.0	10.3
Money Used to buy assets	-10.1	-4.5	-0.1	-14.7
Money used to fund revenue expenditure funded from capital under statute	0.0	-2.0	0.0	-2.0
Money used to finance disposal costs - transfers between reserves	-0.2	0.0	0.2	0.0
Grants and contributions recognised as available but not used during the year	0.0	24.2	0.0	24.2
Balance on 31 March 2012	**0.0**	**29.5**	**0.3**	**29.8**

Note 25 Unusable Reserves

On 31 March 2011 £ millions	Unusable Reserves	On 31 March 2012 £ millions
171.9	Revaluation Reserve	139.0
654.8	Capital Adjustment Account	525.9
0.6	Financial Instruments Adjustment Account	0.5
0.6	Available for Sale Financial Instruments Reserve	0.1
-11.0	Compensated Absences Reserve	-8.1
1.2	Collection Fund Adjustment Account	-0.2
-461.5	Pensions Reserve	-537.8
356.6	**Total Unusable Reserves**	**119.4**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its 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 that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Revaluation Reserve 2010/2011 £ millions	Movement in the capital reserves and accounts	Revaluation Reserve 2011/2012 £ millions
175.4	Balance on 1 April	171.9
0.3	Opening balance adjustments	-0.2
11.6	Revaluation Increases	3.5
-9.0	Revaluation Decreases	0.0
0.0	Reversal of previous impairments	0.0
0.0	Impairment offsets against Revaluation Reserve	-5.0
-5.8	Depreciation adjustment to Revaluation reserve	-5.2
-0.6	Value of asset disposals	-26.0
0.0	Reclassifications of assets	0.0
171.9	**Balance on 31 March**	**139.0**

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 set aside by the Authority 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 have yet to be consumed by the authority.

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

Capital Adjustment Account 2010/2011 £ millions	Movement in the capital reserves and accounts	Capital Adjustment Account 2011/2012 £ millions
658.3	Balance on 31 March	654.8
-0.2	Opening balance adjustments	0.0
-4.0	Revaluation decrease	-23.4
0.0	Revaluation increase	1.2
0.0	Consumption Impairments	0.0
0.0	Reversal of previous impairments	0.0
0.0	Impairment offsets against Revaluation Reserve	0.0
5.8	Depreciation adjustment to Revaluation reserve	5.2
-18.9	Value of asset disposals	-137.0
-17.7	Transfer of spending on assets we do not own	-13.7
-13.1	Transfers to and from the revenue account	-10.0
44.6	Government grant set aside	0.0
0.0	Money used to buy assets	48.8
654.8	**Balance on 31 March**	**525.9**

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. The authority uses the Account to manage the discounts received on the early redemption of debt. We have not received any discounts or paid any premiums in 2011/2012.

31 March 2011 £ millions	Financial Instruments Adjustment Account	31 March 2012 £ millions
0.7	Balance on 1 April 2011	0.6
-0.1	Proportion of discounts received in previous years to be credited to the General Fund Balance in accordance with statutory requirements	-0.1
0.6	**Balance on 31 March**	**0.5**

Available For Sale Financial Instruments Reserve

The Available For Sale Financial Instruments Reserve contains the gains made by the authority arising from increases in the value of its 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
- disposed of the gains are realised.

31 March 2011 £ millions	Available for Sale Financial Instruments Reserve	31 March 2012 £ millions
0.5	Balance on 1 April 2011	0.6
0.1	Upward Revaluation of investments	0.0
0.0	Sale of investments	-0.3
0.0	Downward revaluation of investments not charged to Surplus/Deficit on the Provision of Services	-0.2
0.6	**Balance on 31 March**	**0.1**

Accumulated Absences Account

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

Balance at 1 April 2011 £ millions	Balance at 1 April 2011 £ millions	Movement in Accumulated Absences Account	Balance at 31 March 2012 £ millions	Balance at 31 March 2012 £ millions
	-8.8	Balance at 1 April		-11.0
8.8		Settlement or cancellation of accrual made at the end of the preceding year	11.0	
-11.0		Amounts accrued at the end of the current year	-8.1	
	-2.2	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		2.9
	-11.0	**Balance at 31 March**		**-8.1**

Collection Fund Adjustment Account

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

Balance at 1 April 2011 £ millions	Movement in Collection Fund Adjustment Account	Balance at 31 March 2012 £ millions
0.5	Balance at start of year	1.2
0.7	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	-1.4
1.2	**Balance at end of year**	**-0.2**

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. The authority accounts 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 the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is 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 the authority has 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 2011 £ millions	Pensions Reserve	On 31 March 2012 £ millions
-236.3	LGPS	-290.4
-166.3	Firefighters	-180.1
-42.0	Teachers Discretionary	-48.5
-16.9	Firefighters Injury Awards	-18.8
-461.5	**Balance at 31 March**	**-537.8**

On 31 March 2011 £ millions	Pensions Reserve	On 31 March 2012 £ millions
-581.1	Balance as 1 April	-461.5
70.0	Actuarial gains and losses (-) on pension assets and liabilities	-71.5
12.6	Reversal of net charges made for retirement benefits in accordance with IAS 19	-42.2
34.0	Employer's pension contributions and direct payments to pensioners payable in the year	33.8
3.0	Grant funding of fire-fighters pensions liabilities	3.6
-461.5	**Balance at 31 March**	**-537.8**

The movements above are analysed between the different schemes as follows:-

On 31 March 2011 £ millions	Pensions Reserve - LGPS	On 31 March 2012 £ millions
-336.2	Balance as 1 April	-236.3
64.7	Actuarial gains and losses (-) on pension assets and liabilities	-56.6
12.0	Reversal of net charges made for retirement benefits in accordance with IAS 19	-19.5
23.2	Employer's pension contributions and direct payments to pensioners payable in the year	22.0
-236.3	**Balance at 31 March**	**-290.4**

On 31 March 2011 £ millions	Pensions Reserve - Firefighters	On 31 March 2012 £ millions
-181.5	Balance as 1 April	-166.3
5.0	Actuarial gains and losses (-) on pension assets and liabilities	-6.1
-0.1	Reversal of net charges made for retirement benefits in accordance with IAS 19	-19.3
7.3	Employer's pension contributions and direct payments to pensioners payable in the year	8.0
3.0	Grant funding of fire-fighters pensions liabilities	3.6
-166.3	**Balance at 31 March**	**-180.1**

On 31 March 2011 £ millions	Pensions Reserve - Firefighters Injury Awards	On 31 March 2012 £ millions
-18.6	Balance as 1 April	-16.9
0.3	Actuarial gains and losses (-) on pension assets and liabilities	-1.2
0.9	Reversal of net charges made for retirement benefits in accordance with IAS 19	-1.2
0.5	Employer's pension contributions and direct payments to pensioners payable in the year	0.5
-16.9	**Balance at 31 March**	**-18.8**

On 31 March 2011 £ millions	Pensions Reserve - Teachers Discretionary	On 31 March 2012 £ millions
-44.8	Balance as 1 April	-42.0
0.0	Actuarial gains and losses (-) on pension assets and liabilities	-7.6
-0.2	Reversal of net charges made for retirement benefits in accordance with IAS 19	-2.2
3.0	Employer's pension contributions and direct payments to pensioners payable in the year	3.3
-42.0	**Balance at 31 March**	**-48.5**

Deferred Capital Receipts

The Council has no deferred capital receipts.

Note 26 Cash Flow Statement – Operating Activities

Year ended 31 March 2011 Restated £ millions	Cash flows from operating activities	Year ended 31 March 2012 £ millions
	Cash Inflows from operating activities:-	
231.0	~ Council Tax Receipts	234.5
80.4	~ National Non Domestic Rates receipts from pool	82.0
11.7	~ Revenue Support Grant	25.3
443.6	~ other Government Grants	370.0
102.8	~ cash received for goods and services	137.6
1.1	~ interest received	1.4
0.0	~ dividends received	0.0
	Cash Outflows from operating activities:-	
-479.7	~ cash paid to and on behalf of employees	-416.7
-352.2	~ other operating cash payments	-356.9
-18.3	~ interest paid	-9.4
20.4	**Total net cash flows from operating activities**	**67.8**

Note 27 Cash Flow Statement – Investing Activities

Year ended 31 March 2011 £ millions	Cash flows from investing activities	Year ended 31 March 2012 £ millions
-76.7	Purchase of property,plant and equipment, investment property and intangible assets	-47.3
-12.1	Proceeds or purchase (-) of short-term and long-term investments	-76.8
-0.2	Other receipts or payments (-) for investing activities	1.1
5.3	Proceeds from the sale of property, planty and equipment, investment property and intangible assets	9.6
34.6	Other receipts from investing activities - Capital Grants	50.1
-49.1	**Net cash flows from investing activities**	**-63.3**

Note 28 Cash Flow Statement – Financing Activities

Year ended 31 March 2011 £ millions	Cash flows from financing activities	Year ended 31 March 2012 £ millions
40.0	Cash receipts of short-term and long-term borrowing	20.0
-4.0	Repayments of short and long term borrowing	0.0
-0.1	Cash payments for the reduction of outstanding liabilities in relation to finance leases	-0.1
35.9	**Net cash flows from financing activities**	**19.9**

Note 29 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet and full Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairments losses in excess of the balance in the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- Expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's directorates recorded in the Final Outturn reports for the year is as follows:-

Segmental Reporting Analysis 2011/2012	People Group £ millions	Communities Group £ millions	Fire Service £ millions	Resources Group £ millions	Other Services £ millions	Total £ millions
Fees, charges and other service Income	42.7	24.7	0.4	10.6	36.8	115.2
Government Grants	13.3	4.3	1.8	0.0	350.2	369.6
Total Income	56.0	29.0	2.2	10.6	387.0	484.8
Employee Expenses	86.0	24.1	16.3	50.9	232.5	409.8
Other Services Expenses	207.9	72.1	4.2	-31.3	135.3	388.2
Support Service Recharges	29.5	8.0	4.0	1.1	1.9	44.5
Total Operating Expenses	323.4	104.2	24.5	20.7	369.7	842.5
Cost Of Services	**267.4**	**75.2**	**22.3**	**10.1**	**-17.3**	**357.7**

The People's Group, Communities Group and the Resources Group were also reported at Head of Service Level and are shown below.

Segmental Reporting Analysis 2011/2012 People Group	Safe-guarding £ millions	Social Care and Support £ millions	Business Manage-ment £ millions	Strategic Commiss-ioning £ millions	Early Intervention & family support £ millions	Learning & Achieve-ment £ millions	People Group Total £ millions
Fees, charges and other service Income	0.4	29.9	1.7	4.0	1.3	5.4	42.7
Government Grants	3.0	0.1	0.5	0.3	1.3	8.1	13.3
Total Income	3.4	30.0	2.2	4.3	2.6	13.5	56.0
Employee Expenses	14.9	15.0	16.3	3.0	10.9	25.9	86.0
Other Services Expenses	19.3	101.2	5.8	16.6	9.5	55.4	207.8
Support Service Recharges	7.6	9.5	3.5	0.7	3.1	5.2	29.6
Total Operating Expenses	41.8	125.7	25.6	20.3	23.5	86.5	323.4
Cost Of Services	**38.4**	**95.7**	**23.4**	**16.0**	**20.9**	**73.0**	**267.4**

Segmental Reporting Analysis 2011/2012 Communities Group	Sustainable Communities £ millions	Localities and Community Support £ millions	Transport and Highways £ millions	Public Health £ millions	Communities Group Total £ millions
Fees, charges and other service Income	4.7	7.1	12.8	0.1	24.7
Government Grants	1.5	0.2	2.5	0.0	4.2
Total Income	6.2	7.3	15.3	0.1	28.9
Employee Expenses	4.9	8.2	10.8	0.2	24.1
Other Services Expenses	20.3	8.3	43.4	0.1	72.1
Support Service Recharges	1.6	1.8	4.5	0.0	7.9
Total Operating Expenses	26.8	18.3	58.7	0.3	104.1
Cost Of Services	**20.6**	**11.0**	**43.4**	**0.2**	**75.2**

Segmental Reporting Analysis 2011/2012 Resources Group	Customer Service £ millions	Finance £ millions	Human Resources £ millions	Inform-ation Assets £ millions	Law and Gover-nance £ millions	Physical Assets £ millions	Service Improve-ment and Change Manage-ment £ millions	Resources Group Total £ millions
Fees & charges and other service Income	2.4	0.7	1.3	0.5	1.3	4.4	0.0	10.6
Government Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Income	2.4	0.7	1.3	0.5	1.3	4.4	0.0	10.6
Employee Expenses	8.3	8.1	4.3	11.4	4.8	12.3	1.7	50.9
Other Services Expenses	-1.2	-7.2	-3.4	-10.5	-4.8	-2.5	-1.7	-31.3
Support Service Recharges	3.0	0.3	0.1	-0.5	1.1	-2.5	-0.4	1.1
Total Operating Expenses	10.1	1.2	1.0	0.4	1.1	7.3	-0.4	20.7
Cost Of Services	**7.7**	**0.5**	**-0.3**	**-0.1**	**-0.2**	**2.9**	**-0.4**	**10.1**

Segmental Reporting Analysis 2010/2011 Restated	People Group £ millions	Communities Group £ millions	Fire Service £ millions	Resources Group £ millions	Other Services £ millions	Total £ millions
Fees, charges and other service Income	14.3	26.2	0.7	56.2	24.6	122.0
Government Grants	63.8	4.6	0.2	0.6	364.7	433.9
Total Income	78.1	30.8	0.9	56.8	389.3	555.9
Employee Expenses	104.1	25.2	16.9	48.0	287.2	481.4
Other Services Expenses	221.5	65.8	4.9	42.8	27.3	362.3
Support Service Recharges	29.5	6.5	1.8	-29.6	48.8	57.0
Total Operating Expenses	355.1	97.5	23.6	61.2	363.3	900.7
Cost Of Services	**277.0**	**66.7**	**22.7**	**4.4**	**-26.0**	**344.8**

The 2010/2011 analysis has been restated into the new group structure but it is impractical to restate the People, Communities and Resources Groups at Head of Service level.

Reconciliation of Directorate Income and Expenditure to Cost of Services in The Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement - 2011/2012	£ millions
Cost of Services in Service Analysis	357.7
Add amounts not reported to Management	12.4
Remove Amounts reported to Management not included in Comprehensive Income and Expenditure Statement	-6.1
Net Cost of Services in Comprehensive Income and Expenditure Statement	**364.0**

Reconciliation to Subjective Analysis - 2011/2012	Service Analysis £ millions	Not Reported to Management £ millions	Not Included in I & E £ millions	Net Cost of Services £ millions	Corporate Amounts £ millions	Total £ millions
Fees, charges and other service Income	113.8	-15.5	-6.4	91.9	6.7	98.6
Government Grants & Contributions	369.6	7.4	-37.6	339.4	208.7	548.1
Interest and Investment Income	1.4	0.0	-1.4	0.0	1.4	1.4
Income from Council Tax	0.0	0.0	0.0	0.0	233.1	233.1
Total Income	**484.8**	**-8.1**	**-45.4**	**431.3**	**449.9**	**881.2**
Employee Expenses	409.8	-6.8	0.0	403.0	0.0	403.0
Other Services Expenses	388.2	2.2	-51.5	338.9	38.9	377.8
Support Service Recharges	44.5	0.0	0.0	44.5	0.0	44.5
Depreciation, amortisation and impairment	0.0	8.9	0.0	8.9	0.0	8.9
Interest Payments	0.0	0.0	0.0	0.0	19.1	19.1
Precepts and Levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed Assets	0.0	0.0	0.0	0.0	153.7	153.7
Total Operating Expenses	**842.5**	**4.3**	**-51.5**	**795.3**	**211.9**	**1,007.2**
Surplus (-) or Deficit on the Provision of Services	**357.7**	**12.4**	**-6.1**	**364.0**	**-238.0**	**126.0**

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement - 2010/2011	£ millions
Cost of Services in Service Analysis	344.8
Add amounts not reported to Management	-57.6
Remove Amounts reported to Management not included in Comprehensive Income and Expenditure Statement	-6.4
Net Cost of Services in Comprehensive Income and Expenditure Statement	**280.8**

Reconciliation to Subjective Analysis - 2010/2011	Service Analysis £ millions	Not Reported to Manage-ment £ millions	Not Included in I & E £ millions	Net Cost of Services £ millions	Corporate Amounts £ millions	Total £ millions
Fees, charges and other service Income	120.9	0.0	-11.3	109.6	11.3	120.9
Government Grants & Contributions	433.9	11.1	-33.0	412.0	165.4	577.4
Interest and Investment Income	1.1	0.0	-1.1	0.0	1.1	1.1
Income from Council Tax	0.0	0.0	0.0	0.0	231.6	231.6
Total Income	**555.9**	**11.1**	**-45.4**	**521.6**	**409.4**	**931.0**
Employee Expenses	459.7	-69.2	-17.8	372.7	18.1	390.8
Other Services Expenses	386.2	17.9	-31.5	372.6	17.8	390.4
Support Service Recharges	54.8	0.0	-2.5	52.3	2.5	54.8
Depreciation, amortisation and impairment	0.0	4.8	0.0	4.8	1.1	5.9
Interest Payments	0.0	0.0	0.0	0.0	18.3	18.3
Precepts and Levies	0.0	0.0	0.0	0.0	0.2	0.2
Gain or loss on disposal of fixed Assets	0.0	0.0	0.0	0.0	14.4	14.4
Total Operating Expenses	**900.7**	**-46.5**	**-51.8**	**802.4**	**72.4**	**874.8**
Surplus (-) or Deficit on the Provision of Services	**344.8**	**-57.6**	**-6.4**	**280.8**	**-337.0**	**-56.2**

Note 30 Acquired or discontinued operations

There are no acquired or discontinued operations in the year or preceding year.

Note 31 Trading accounts

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

The spending below is also included in our main accounts. However, we have adjusted these surpluses to reflect the effects of the new accounting treatment of IAS 19 pensions costs (to reflect the actual costs of pensions decisions they have taken in the current year).

2010/2011	Trading activity	2011/2012			
Net Expenditure £ millions		Turnover (Internal and External Income) £ millions	Spend after internal income £ millions	External income £ millions	Net Expenditure £ millions
-0.1	County caterers	9.3	1.0	1.3	-0.3
-0.2	County cleaning	3.2	0.0	0.1	-0.1
0.5	Warwickshire education services	1.5	-0.4	0.0	-0.4
-0.6	Construction services	2.4	0.0	0.1	-0.1
-0.2	County fleet maintenance	2.9	0.8	1.0	-0.2
-0.2	Design services	3.4	0.9	1.0	-0.1
0.0	Legal services	5.1	1.1	1.1	0.0
0.1	Other trading accounts	1.9	0.8	0.7	0.1
-0.7	**Total**	**29.7**	**4.2**	**5.3**	**-1.1**

Other trading accounts are those with a turnover of less than £1 million and include Payroll Services, School Governance, County Print unit and Archaeology.

County Caterers provides a catering service and school meals.

County Cleaning provides a cleaning service to all county council building and schools.

Warwickshire Education Services provides finance and admin support to schools

Construction Services oversees property maintenance and construction of county council buildings and schools.

County Fleet Maintenance maintains the county councils fleet of vehicles and services to other organisations

Design Services provides a design service for producing leaflets and publications to the county council.

Legal Services provides legal advice and support to the county council.

Payroll Services run the payroll for a number of organisations including the county council.

School Governance provides support and training to school governors.

County Print Unit provides a printing and copying service to the county council and schools.

Archaeology provides an archaeological consultation service to developers, land owners and, community groups not only in Warwickshire, but through out the Midlands as a whole, providing clients with a wide range of services from desktop assessments to a full archaeological excavation and survey.

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

The total income for 2011/2012 for our significant trading activities above was £29.7 million (£31.7 million in 2010/2011) which included £24.4 million of internal income recharged to services (£24.4 million in 2010/2011 restated).

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

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

Under our Contract Standing Orders and Constitution, our Cabinet must approve any business unit service that needs subsidisation (financial support).

Note 32 Agency Services

We have no material agency services arrangements.

Note 33 Road Charging Schemes Under the Transport Act 2000

We did not operate any schemes under this Act in 2011/2012 or 2010/2011.

Note 34 Pooled budgets with health

Section 31 of the Health Act 1999 and the NHS bodies and Local Authorities Partnership Arrangements Regulations 2000 allowed joint-working arrangements between NHS organisations and local authorities. This has now been replaced and repealed, for England, by section 75 of the National Health Service Act 2006 which has consolidated NHS legislation. The new provision is in exactly the same terms and existing section 31 arrangements will continue as if made under the new powers.

Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool will be that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

In 2004/2005, we entered into pooling arrangements under section 31 of the Health Act 1999 to provide a joint community-equipment service between us and the three Warwickshire primary care trusts (PCTs). In October 2006 the three separate PCTs were replaced with one PCT for the whole of Warwickshire, Warwickshire Primary Care Trust, which took over responsibilities of those three PCTs. We continue to manage the pooled resources, which for 2011/2012 added up to £4.515 million (a contribution of £1.705 million from us and £2.810 million from the Warwickshire Primary Care Trust). We spent £3.985 million in the year. Of the £0.531 million surplus £0.194 million belongs to the PCT and £0.337 belongs to us.

In 2005/2006, we entered into pooling arrangements with Coventry and Warwickshire Primary Care Trusts to provide substance-misuse treatment services, and we manage the pooled resources as the lead agency. The pooled funding for 2011/2012 was £3.939 million with our own contribution of £0.473 million, £3.385 million from the primary care trusts and £0.080 million carried forward from 2010/2011. During the year, the actual spending was £3.886 million. There was a surplus of £0.053 million to be carried forward which is committed to be spent in 2012/2013. All of this surplus of £0.053 million belongs to the Primary Care Trusts.

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

2010/2011 surplus (-) £ millions	Pooled budgets with health	2011/2012 Our contribution £ millions	Total pooled resources (including surplus from previous years to be used) £ millions	Total spending £ millions	Surplus (-) £ millions
-0.7	Section-31 agreements: - Integrated community-equipment service	-1.7	-4.5	4.0	-0.5
-0.1	Other pooled budgets with health: - Substance misuse treatment services	-0.5	-3.9	3.9	0.0
-0.8	**Total**	**-2.2**	**-8.4**	**7.9**	**-0.5**

We have not included the Youth Justice Service (YJS) in the pooled budgets. The Youth Justice Service is a joint working arrangement and reports to the Youth Justice Board. It is made up of contributions from the police authority, probation services, ConneXions, the health authority and the Youth Justice Board. Our contribution in 2011/2012 was £1.794 million. There were no reserves at the end of the year.

Note 35 Members' allowances

2010/2011 Total £ million		2011/2012 Basic Allowance £ million	Special Allowance £ million	Carers Allowance £ million	Travel and Subsistence £ million	Total £ million
0.855	Elected Members	0.555	0.237	0.000	0.056	0.848
0.016	Independent and co-opted Members	0.000	0.004	0.000	0.004	0.008
0.871	**Total**	**0.555**	**0.241**	**0.000**	**0.060**	**0.856**

Members are not included in the table below because no single member was paid more than £50,000 during the year. Further details of payments to Members is available on our website www.warwickshire.gov.uk.

Note 36 Officers Remuneration and Termination Benefits

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

2010/2011 Restated		Remuneration	2011/2012					
Teaching Staff	Other Staff		Teaching staff	Other staff	Teaching staff left in the year *	Other staff left in the year *	Teaching Staff Revised Total	Other Satff Revised Total
130	48	£50,000 - £54,999	121	38	7	7	114	31
81	46	£55,000 - £59,999	57	53	1	7	56	46
32	13	£60,000 - £64,999	43	15	2	10	41	6
16	8	£65,000 - £69,999	7	14	2	4	5	10
10	15	£70,000 - £74,999	11	18	0	2	11	16
8	1	£75,000 - £79,999	7	2	1	0	6	2
7	8	£80,000 - £84,999	3	4	1	0	2	4
4	6	£85,000 - £89,999	3	8	1	0	2	8
3	3	£90,000 - £94,999	2	2	1	1	1	1
0	1	£95,000 - £99,999	1	3	0	1	1	2
1	1	£100,000 - £104,999	1	2	0	0	1	2
0	0	£105,000 - £109,999	0	0	0	0	0	0
0	0	£110,000 - £114,999	0	1	0	1	0	0
0	0	£115,000 - £119,999	0	1	0	1	0	0
0	0	£120,000 - £124,999	0	1	0	1	0	0
0	0	£125,000 - £129,999	0	0	0	0	0	0
292	**150**		**256**	**162**	**16**	**35**	**240**	**128**

* This only relates to staff made redundant during the year.

The authority terminated the contracts of a number of employees during 2011/2012, incurring redundancy payment liabilities of £6.3 million (£4.6 million in 2010/2011). Of this total none relates to senior staff. The £6.3 million includes 516 officers who have been made redundant as part of on-going savings and efficiency plans. See table below for details.

Exit Package Cost Band (including Special Payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band £ millions	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0 - £20,000	136	410	4	4	140	414	0.774	2.711
£20,001 - £40,000	46	82	1	3	47	85	1.436	2.318
£40,001 - £60,000	23	19	0	0	23	19	1.151	0.873
£60,001 - £80,000	11	4	0	0	11	4	0.731	0.271
£80,001 - £100,000	0	1	0	0	0	1	0.000	0.084
£100,001 - £120,000	2	0	0	0	2	0	0.213	0.000
£120,001 - £140,000	2	0	0	0	2	0	0.253	0.000
	220	**516**	**5**	**7**	**225**	**523**	**4.558**	**6.258**

Due to a change in the regulations, the Account and Audit Regulations (Amendment No. 2) (England) Regulations 2009 (SI 2009/3322), we are now required to disclose the remuneration of senior employees, as defined by those regulations, 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.

2011/2012 Post Holder information (Post Title and Name (if over £150,000 salary)	Notes	Salaries (including fees and Allowances) £	Taxable Expense Allowances £	Compen-sation for loss of office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2011/2012 £	Employer's Pension Contrib-utions £	Total Remuneration including pension contributions 2011/2012 £
Chief Executive - Jim Graham		172,866	345	0	0	173,211	25,757	198,968
Strategic Director, People Group	1	119,008	233	0	0	119,241	17,732	136,973
Strategic Director - Children, Young People & Families	2	78,916	814	0	0	79,730	11,758	91,488
Strategic Director - Environment & Economy	3	95,270	1	0	0	95,271	14,195	109,467
Chief Fire Officer		120,054	2,317	0	0	122,371	25,572	147,942
Strategic Director, Communities	4	89,497	221	0	0	89,718	13,335	103,053
Strategic Director - Resources		130,876	93	0	0	130,969	18,927	149,896
Head of Finance		96,979	83	0	0	97,062	14,450	111,512
Assistant Chief Executive	5	29,300	0	0	0	29,300	4,366	33,665
Total		**932,765**	**4,107**	**0**	**0**	**936,872**	**146,092**	**1,082,964**

There were no bonuses paid in the year.
Note 1 - This was a new post from 1 April 2011 following the reorganisation
Note 2 - This post ceased from 31 October 2011 the annualised salary is £135,284
Note 3 - This post ceased from 31 December 2011 the annualised salary is £127,027
Note 4 - This was a new post from 1 July 2011 as part of the reorganisation. Annualised salary is £119,329
Note 5 - Post ceased on 30 June 2011 as part of reorganisation. The annualised salary was £117,198

2010/2011 Post Holder information (Post Title and Name (if over £150,000 salary) Restated	Notes	Salaries (including fees and Allowances) £	Taxable Expense Allowances £	Compen-sation for loss of office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2010/2011	Pension Contrib-utions £	Total Remuneration including pension contributions 2010/2011 £
Chief Executive - Jim Graham		172,866	0	0	0	172,866	24,893	197,759
Consultant - Adult, Health & Community Services	1	68,115	0	0	0	68,115	0	68,115
Strategic Director - Adult, Health & Community Services	2	48,116	0	0	0	48,116	6,929	55,045
Strategic Director - Children, Young People & Families		135,284	0	0	0	135,284	19,481	154,765
Strategic Director - Customers, Workforce & Governance.	3	127,027	0	0	0	127,027	18,292	145,319
Strategic Director - Environment & Economy		123,178	84	0	0	123,262	17,738	141,000
Chief Fire Officer	4	120,054	8,594	0	0	128,648	25,572	154,220
Strategic Director - Resources	5	127,027	0	0	0	127,027	18,292	145,319
Assistant Chief Executive		113,647	224	0	0	113,871	16,365	130,236
Total		**1,035,314**	**8,902**	**0**	**0**	**1,044,216**	**147,560**	**1,191,776**

Tables may not sum due to rounding
Out of pocket expenses are not included as remuneration and hence 2010/2011 figures have been restated.

Expense Allowances includes only the taxable reimbursement for expenses. There were no bonuses paid in the year.

Note 1 - A consultant started on 1 April 2010 as Interim Strategic Director - Adult, Health and Community Services until a permanent appointment was made. He left on 31 October 2010. His annualised salary was £116,177.

Note 2 - The Strategic Director Adult, Health and Community Services started 1 November 2010. The annualised salary for 2010/20111 was £115,479.

Note 3 - This post ceased on 31 March 2011 as part of the reorganisation.
Note 4 - The Chief Fire Officer received £14,748.72 in the form of a relocation allowance upon moving home to Warwickshire following appointment to the post. Of this £6,748.72, was taxable and has been included in the table above.

Note 5 - The Strategic Director left this post on 31 March 2011

Note 37 External Audit Costs

The authority has incurred the following costs for the year ended 31 March 2012 in relation to the audit of the Statement of Accounts, certification of grant claims provided by the authority's external auditors.

2010/2011 £ millions	Audit fees	2011/2012 £ millions
0.2	Fees for the external audit services	0.2
0.2	**Total**	**0.2**

Note 38 Dedicated Schools' Grant

In line with the requirements of the Accounts and Audit (England) Regulations 2006, we can confirm that the Dedicated Schools' Grant received in 2011/2012 was £295.2 million (made under section 14 of the Education Act 2002) and has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45a, 45aa, 47, 48(1) and (2) and 138(7) of, and paragraph 1(7)(b) of schedule 14 to, the Schools Standards and Framework Act 1998.

Our spending on schools is funded by money from the Department for Education. The grant is ring-fenced, which means we can only use it to meet spending that is included in the schools' budget. The schools' budget includes a limited range of services that are provided across the authority and for the individual school budget which is divided into a budget share for each school. The overspending and underspending on the two parts need to be accounted for separately. We can add to the schools' budget from our own resources, but we did not do so for 2011/2012.

2010/2011 Total £ millions		Central Spending £ millions	Individual schools budget (ISB) £ millions	2011/2012 Total £ millions
298.474	Original DSG grant allocation to schools budget for the current year in our budget	39.375	279.620	318.994
-3.976	Adjustment to final allocation	4.353	-28.112	-23.759
294.498	Final DSG due for the year	43.728	251.507	295.235
5.071	DSG brought forward from previous year	4.363	0.000	4.363
299.569	Total budgeted DSG distribution for the year	48.091	251.507	299.598
-44.223	Actual central spending for the year	-46.402	0.000	-46.402
-250.983	Actual ISB deployed to schools	0.000	-251.507	-251.507
4.363	**Over or under spend for the year (carried forward to 2012/2013)**	**1.688**	**0.000**	**1.688**

Table may not sum due to rounding

Central spending above includes other funding allocated as school specific contingencies and nominally held funds and allocations by the school forum. The overspend of £2.675 million for 2011/2012 with the brought forward of £4.363 million gives the total net underspend to be carried forward of £1.688 million as above.

Note 39 Grant Income

We credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/2012:-

Actual income 2010/2011 £ millions	Grant Income	Awarding department	Actual income 2011/2012 £ millions
	Revenue Grants Credited to Services (cash received in the year)		
294.5	Dedicated Schools Grant	DfE	295.2
14.6	General Sure Start Grant (Early Years)	DfE	0.0
47.0	The Standards Fund	DfE	1.3
23.9	Learning Skills Grant	DfE	0.0
4.1	Asylum seekers	HO	2.7
0.6	Diploma Specific Formula Grant	DfE	0.0
0.0	Pupil Premium Grant	DfE	3.6
0.0	Sixth Form Funding	DfE	13.8
0.0	Music Grant	DfE	1.1
0.2	Mental Illness - Children	DH	0.0
1.7	The Private Finance Initiative	CLG	1.7
2.2	Social Care Reform	DH	0.0
0.3	Supporting People Programme grant	CLG	0.0
1.7	Adult Leaning	DfE	1.7
0.3	Carers Grant	DoH	0.0
0.1	Dementia Demonstrator Sites Grant	DoH	0.0
0.0	NHS Grant	PCT	0.8
0.7	Other Peoples Group grants		0.3
0.2	Education Business Partnership	DfE	0.0
3.5	Emergency Winter Damage	DfT	0.0
0.8	Future Jobs Fund	DWP	0.0
0.5	Other Communities Group grants		0.2
0.0	Fire Control Project	CLG	1.8
0.1	Sheltered placement	DWP	0.0
0.4	Drug Intervention Programme	HO	0.1
0.0	Children's Workforce development grant	CLG	0.3
0.3	Other revenue grants		0.4
397.7	Total Revenue grants		**325.0**

Actual income 2010/2011 £ millions	Grant Income	Awarding department	Actual income 2011/2012 £ millions
	Capital grants and contributions credited to services:-		
0.6	Playbuilder Capital Grant	DfE	0.0
0.2	Targeted Capital Fund - Practical Cooking Spaces	DfE	0.5
0.8	Targeted Capital Fund - Kitchen and Dining Room	DfE	0.3
1.1	Targeted Capital Fund 14-19 2010/2011	DfE	0.0
2.9	Devolved Formula Capital	DfE	2.5
0.1	Extended Schools	DfE	0.0
0.4	Harnessing Technology	DfE	0.1
0.6	Modernisation	DfE	0.0
1.5	Primary Capital Programme	DfE	0.5
2.7	Sure Start	DfE	0.0
0.0	Schools Basic Need	DfE	0.3
0.0	Schools Maintenance	DfE	0.6
0.0	Local Transport Plan	DfT	0.7
0.0	Private Developer		0.4
1.8	Other Grant / Contribution		1.5
12.7	Total Capital Grants and Contributions		**7.4**
410.4	**Total**		**332.4**

Actual income 2010/2011 £ millions	Grant Income	Awarding department	Actual income 2011/2012 £ millions
	Credited to Taxation and Non Specific Grant Income- cash received in the year		
0.3	Youth Opportunity Fund	DfE	0.0
0.4	Learning disability Campus Closure Programme	DH	0.1
0.1	Animal Health and Welfare Enforcement	DEFRA	0.0
0.1	FIP and Think Family	DfE	0.0
0.1	Early Intervention	DfE	17.5
0.9	Local Area Agreement Reward Grant	CLG	0.0
0.1	National Stroke Strategy	DH	0.0
0.1	HIV/Aids Support	DH	0.0
0.1	Fire Control Implementation Grant	CLG	0.1
0.0	Growing Places Fund	CLG	1.0
0.0	Local Services Support Grant	CLG	1.1
0.0	Learning Disability Reform grant	DH	11.7
0.0	Council Tax Freeze Grant	CLG	5.8
0.0	New Homes Bonus	CLG	0.4
30.9	Area Based Grant (previously specific grants now funded via ABG)	via CLG	n/a
33.1	Total revenue grants		37.7

The £0.1 million grant for Learning Disability Campus Closure Programme Revenue Grant was received in 2010/2011 and has been treated as a receipt in advance.

Actual income 2010/2011 £ millions	Grant Income	Awarding department	Actual income 2011/2012 £ millions
	Capital grants and contributions:-		
0.5	Advantage West Midlands	AWM	0.0
0.7	Fire Capital Grant	CLG	1.0
0.6	Transfer of New Dimensions Fire & Rescue assets	CLG	0.0
0.7	Gypsy and Traveller Sites Grant	CLG	0.0
0.0	Growing Places	CLG	11.8
5.8	Devolved Formula Capital	DfE	2.1
0.8	Extended Schools	DfE	0.0
1.2	Harnessing Technology	DfE	1.2
1.8	Modernisation	DfE	0.0
4.2	Primary Capital Programme	DfE	2.0
2.4	Sure Start	DfE	0.0
3.3	Targeted Capital Fund - 14-19 Diplomas and SEN	DfE	0.0
0.0	Targeted Capital Fund - Sports Facilities	DfE	0.6
0.0	Schools Basic Need	DfE	10.9
0.0	Schools Maintenance	DfE	8.4
0.4	DfT Transport Asset Management Plan	DfT	0.0
0.5	Local Transport Plan	DfT	13.2
4.3	PCT Grant for Transfer of Learning Disability Homes	DH	0.0
0.3	Social Care Reform Grant	DH	0.0
0.3	Social Care Single Capital Pot	DH	0.0
0.0	Social Care PSS	DH	1.1
0.3	Waste Capital Infrastructure Grant	DEFRA	0.0
0.0	Land Swap Gain (in kind)		1.0
3.1	Private Developer		2.6
6.0	Other Grant / Contribution		4.2
37.2	**Total Capital Grants**		**60.1**
70.3	**Total**		**97.6**

The authority has 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 2011 £ millions	Revenue Grants Receipts in Advance	Awarding department	31 March 2012 £ millions
0.9	Common Assessment Framework Demonstrator Grant	DH	0.6
0.3	Supporting people Programme	CLG	0.0
0.0	Consortia Support Grant	DfE	0.0
0.0	Contact Point	DfE	0.0
0.3	Learning Skills Grant	DfE	0.0
0.3	General Sure Start Grant	DfE	0.0
3.7	Standards Fund Grant	DfE	0.0
0.2	Community Transport Grant	DfT	0.0
0.1	Future Jobs Fund	DWP	0.0
0.2	Specific Road Safety Grant	DfT	0.0
0.1	Skills for Jobs Grant	DWP	0.0
2.4	Emergency Winter Damage	DfT	0.0
0.0	Children's Workforce Development Grant	DfE	0.4
0.0	Further Education funding from LSC	DfE	0.1
0.2	Other grants		0.2
8.7	**Total**		**1.3**

31 March 2011 £ millions	Capital Grants Receipts in Advance	Awarding department	31 March 2012 £ millions
8.6	Devolved Formula Capital	DfE	5.5
1.3	Harnessing Technology	DfE	0.0
2.5	Primary Capital Programme	DfE	0.0
0.9	Targeted Capital Fund - Kitchen and Dining Room	DfE	0.0
0.4	Cookery Capital 2010/11	DfE	0.0
0.6	Targeted Capital Fund - Sports Facilities	DfE	0.0
9.1	Private Developer		11.7
0.7	Deposits for Capital Receipts		0.0
3.3	Other Grant / Contribution		0.6
27.4	**Total**		**17.8**

Awarding departments

DfE is the Department for Education.
CLG is Communities and Local Government
HO is the Home Office
DfT is the Department for Transport
DH is the Department of Health
DWP is the Department for Work and Pensions
DEFRA is the Department for Environment, Food and Rural Affairs
AWM is Advantage West Midlands

Note 40 Related Parties & 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 most of our 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 39 of the notes to the core financial statements. Details of the balances with central government departments are shown in note 19 and 22. Pooled budget arrangements with the Department of Health are shown in note 34 on page 78.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2011/2012 is shown in note 35 on page 79. During 2011/2012 works and services to the value of £8.7 million were commissioned from companies in which members had an interest. Contracts were entered into in full compliance with the council's contract standing orders. The above figure includes any grants paid by the council to voluntary groups in which members had positions on the governing body including any made to organisations whose senior management included close members of the families of members. In all instances grants were made with proper consideration of declaration on interest. The relevant members did not take part in any discussions or decision relating to the grants. Details of all these transactions are recorded in the Register of Members Interest, open to public inspection at Shire Hall.

Senior Officers

During 2011/2012 payments of £0.4 million were made to organisations in which one senior officer or members of their families had declared an interest.

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

Other Public Bodies

At the end of the year we owed £29.2 million to other local authorities, central government and public bodies including £6.2 million to the Inland Revenue, and they owed us £20.8 million including £4.5 million from the Inland Revenue.

We charged the Warwickshire County Council Pension Fund £0.9 million for carrying out the administration work for the fund (not including payroll-processing costs).

<u>Other Entities</u>

As further detailed below, we are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with six other local authorities. Each authority is represented on the board by two elected members. There are controls in place so that none of our members are involved in letting our contracts. We did not receive an income in 2011/2012 or 2010/2011.

We have not identified any associated companies, subsidiaries or joint ventures which mean we must produce group accounts in 2011/2012 under CIPFA's Accounting Code of Practice.

We recently sold our shares in the University of Warwick Science Park Limited (UWSP) for £0.7 million. We therefore no longer have an interest in the company. The gain on the sale is reflected in the Financing and Investment income and expenditure in the Comprehensive Income and Expenditure Statement.

We own shares in the University of Warwick Science Park Innovation Centre Limited jointly with the University of Warwick Science Park Limited. We own less than 20% of the ordinary share capital and 1/6 of the voting rights for this company. Of the six directors, one is appointed by us. We also own £1,502,500 of preference shares. The value of these shares in our balance sheet is £0.150 million (£0.364 million in 2010/2011). The assets of the company are not included in the Comprehensive Income and Expenditure Statement and Balance Sheet.

The following shows information from their latest audited accounts, of which none received a qualified audit opinion.

Financial results	**Accounts for year ending**	
	30 September 2011 £ thousands	**30 September 2010 £ thousands**
University of Warwick Science Park Innovation Centre Limited		
Net assets	402	496
Profit before tax	35	25
Profit after tax	-1	-10

We own shares in Warwick Technology Park Management Company Limited jointly with Severn Trent Water, Invista Foundation Property Limited, Aviva Life and Pensions limited, Trustees of Sir Trevor White Charity, Arqiva and Standard Life. We own 4.8% of the share capital. The assets of the company are not included in our income and expenditure account and balance sheet. We also own shares in Warwick Technology Park Management Company (No 2) Limited jointly with the University of Warwick Science Park Limited, National Grid Property Holdings Limited, Wolverhampton City Council and ING (UK) Property Limited. We own 0.2% of the called-up share capital.

The following table shows information from their latest audited accounts, of which none received a qualified audit opinion.

Financial results	Accounts for year ending	
	31 March 2011 £	31 March 2010 £
Warwick Technology Park Management Company Limited		
Net assets	63	63
Profit/Loss (-) before tax	0	0
Profit/Loss (-) after tax	0	0
Warwick Technology Park Management Company (No 2) Limited		
Net assets	923	923
Profit/Loss (-) before tax	0	0
Profit/Loss (-) after tax	0	0

We have formed a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with six other local authorities. Each authority is represented on the management committee by two elected members. There are controls in place so that none of our members are involved in letting our contracts. In 2011/2012 we paid ESPO £2.5 million for goods. The total amount of invoiced sales for ESPO-managed contracts was £86.5 million for 2010/2011 (£89.1 million in 2009/2010). Under the terms of the partnership agreement, if ESPO stopped trading we would be liable for any net liabilities or to receive a share of the net assets based either on the average of our last three years' purchases compared to our other six partners, or a one-seventh share.

The following table shows information from their latest audited accounts, of which none received a qualified audit opinion.

Financial results	Accounts for year ending	
	31 March 2011 £ thousands	31 March 2010 Restated £ thousands
ESPO		
Net assets	6,814	4,812
Net Income	18,018	16,952
Surplus/Loss (-) for the year	2,002	1,413

A company called SCAPE System Build Limited was set up in December 2005 with five other local authorities (each authority has a director on the board). This company is a controlled company for the purposes of the Local Government and Housing Act 1989. We own 75,000 £1 shares (16.7% of share capital). The value of this holding is small and there are conditions on the shares that prevent them being traded on the open market, consequently since the fair value cannot be measured reliably no value is carried on the Balance Sheet.

Financial results	Accounts for year ending	
	31 March 2011 £ thousands	31 March 2010 £ thousands
SCAPE System Build Limited		
Net assets	951	554
Income	1,681	966
Surplus/Loss (-) for the year	396	112

In reviewing the treatment of the above companies in our accounts we have concluded that ESPO and SCAPE System Build Limited meet the criteria to be considered a JANE (Joint Arrangement that is Not an Entity). However, we have not consolidated the assets and liabilities of these organisations into our accounts as our share of their balance sheet would not be considered material.

None of these transactions are included in our accounts.

Warwickshire County Council has been working with Staffordshire County Council to deliver an Energy for Waste (EfW) plant to be built in Staffordshire. Staffordshire County Council is the lead authority and Warwickshire, along with Walsall Council and Sandwell Council, will input waste into this from 2013.

Staffordshire will be entering into the PFI Contract with the successful bidder (The Project Agreement). The partners are required by Defra and the Treasury's Project Review Group (PRG) to enter into 'back to back' agreements in the form of the IAA (inter authority agreement). Warwickshire have agreed the IAA in principle. The IAA is a legally binding agreement, in which the partners' cost and risk allocations, general liability and contract management arrangements are set out. Warwickshire did not pay any money to Project W2R in 2010/2011 or 2011/2012.

Note 41 Capital Expenditure and Capital Financing

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

2010/2011 £ millions	Capital financing requirement (IFRS)	2011/2012 £ millions
357.7	Opening requirement	374.1
	Capital investment	
70.6	- Property, Plant & Equipment	52.7
0.0	- Heritage Assets	0.2
0.8	- Intangible Assets	0.0
0.0	- Held For Sale	0.3
17.7	- Revenue spending from Capital Under Statute	13.7
89.2	Total capital investment	66.9
	Sources of finance	
-5.3	- Capital receipts	-10.1
-44.7	- Government grants and other contributions	-48.8
	- Sums set aside from revenue:	
-5.1	- Direct revenue contributions	-8.0
-17.7	- MRP/loans fund principal	-18.5
-72.8	Total sources of income	-85.4
374.1	**Closing capital financing requirement**	**355.6**

Table may not sum due to roundings

2010/2011 £ millions	Explanation of Movements in the year	2011/2012 £ millions
18.4	Increase in underlying need to borrowing (supported by government financial assistance)	0.0
-2.0	Increase in underlying need to borrowing (unsupported by government financial assistance)	-18.5
16.4	**Increase/(decrease) in Capital Financing Requirement**	**-18.5**

2010/2011 £ millions	Where the money for our capital spending came from	2011/2012 £ millions
34.1	Borrowing	0.0
44.7	Grants and money from other organisations	48.8
5.3	Selling assets	10.1
5.1	From our revenue spending	8.0
89.2	**Total**	**66.9**

2010/2011 £ millions	Funding Analysis	2011/2012 £ millions
71.5	Assets we own	53.2
17.7	Assets we don't own	13.7
89.2	**Total**	**66.9**

Note 42 Leases

Authority as Lessee

Finance Leases

The Council has acquired some equipment under finance leases. The assets acquired under these leases are carried as Property, Plant & Equipment in the Balance Sheet at the following net amounts:

31 March 2011 £ million	Assets held under finance leases	31 March 2012 £ million
0.343	Vehicles, plant, furniture and equipment	0.274
0.343	**Total**	**0.274**

The authority is committed to making minimum payments under these leases comprising the settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:-

31 March 2011 £ million	Assets held under finance leases	31 March 2012 £ million
	Finance Lease liabilities (net present value of minimum lease payments):	
0.074	~ Current	0.078
0.248	~ non-current	0.170
0.041	Finance costs payable in future years	0.025
0.363	**Total minimum lease payments**	**0.272**

Table may not sum due to rounding

The minimum lease payments will be payable over the following periods:

Minimum Lease Payments 31 March 2011 £ million	Finance Lease Liabilities 31 March 2011 £ million	Lease Period	Minimum Lease Payments 31 March 2012 £ million	Finance Lease Liabilities 31 March 2012 £ million
0.091	0.074	Not later than 1 year	0.091	0.078
0.272	0.248	Later than 1 year and not later than 5 years	0.182	0.170

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. None of our leases are subject to contingent rents.

Operating Leases

The authority has acquired a number of buildings, vehicles and items of equipment by entering into operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2011 £ million	Operating Lease Period	31 March 2012 £ million
2.3	Not later than 1 year	1.6
4.3	Later than 1 year and not later than 5 years	2.1
7.3	Later than 5 years	4.2
13.9	**Total**	**7.9**

We do not sub-let any assets acquired under operating leases.

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2011 £ million	Operating Lease Payments	31 March 2012 £ million
1.8	Minimum Lease payments	1.9
0.8	Contingent rents	0.7
-0.1	Sublease payments receivable	-0.1
2.5	**Total**	**2.5**

Authority as Lessor

Finance Leases

The authority does not have any finance leases as lessor.

Operating Leases

The authority leases 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
- To individuals for personal and business use

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

31 March 2011 £ million		31 March 2012 £ million
2.3	Not later than 1 year	1.7
5.5	Later than 1 year and not later than 5 years	4.1
8.3	Later than 5 years	8.9
16.1	**Total**	**14.7**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/2012 £0.3 million contingent rents were receivable by the authority.

Note 43 PFI and similar contracts

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

The Warwickshire e-learning community project, known as We-learn, is one of four DfES Pathfinder Projects aimed at raising educational standards through the use of information and communication technology (ICT). This eight-year project was signed on 31 March 2004. It involves 139 primary schools and 33 secondary schools across the county. We will receive over £12.0 million in private finance initiative (PFI) grant. The commitment to make future payments to the service provider will depend on them meeting key performance targets but we expect to pay around £1.2 million between 1 April 2012 and the end of the contract in August 2012.

Note 44 Impairment Losses

The authority has not incurred any impairment losses during 2011/2012.

Note 45 Capitalisation of Borrowing Costs

The authority did not capitalise any borrowing costs in 2011/2012 or 2010/2011.

Note 46 Pension Scheme

IAS 19 Accounting for pension costs: local authorities (In this section the figures in brackets are the figures for 2010/2011.)

This note applies as well as note 25 on Reserves on page 64. This note provides the information we must give under IAS 19 (previously FRS 17). The purpose of IAS19 is to account for pension benefits when we become committed to give them rather than when we actually pay them. The movement in reserves shows the gain or loss to the pension fund reserve as a result of differences between expected and actual returns on assets for the LGPS, the Firefighters' Pension Scheme, the Firefighters Injury Awards Scheme and the Discretionary Teachers' Scheme.

As part of the terms and conditions of employment of its officers and other employees, the authority offers 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.

The authority participates in three pension schemes and one compensation scheme:

~ the Local Government Pension Scheme (LGPS)

~ the teachers pension scheme

~ the firefighters pensions scheme

~ the firefighters injury awards scheme

The level of contributions into the pensions schemes after the balance sheet date is dependent on the outcome of the current Hutton Review. Key decisions on future employee contribution rates and the accrual rate for the new scheme are yet to be decided by Government, with its decisions expected to have a direct impact on active membership, both current and pipeline. Whilst these decisions remain pending, it is not feasible to provide estimates of contributions given the sensitivity of the variable factors of the possible outcomes on staff's perception of the overall benefits of the pension schemes.

Teachers

We operate a defined benefit pension scheme for our teaching staff, under the Superannuation Act 1972. The Teachers' Pensions Agency (TPA) manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The scheme provides teachers with a defined benefit when they retire. Although we employ teachers, their retirement and superannuation benefits are paid out of money provided by the Government. The Government sets teachers' and employers' contribution rates and reviews these at least every five years. The teachers' pension scheme is a defined benefit scheme. Although the scheme is unfunded, the TPA uses an assumed fund to work out the contribution rate that local education authorities must pay. However, it is not possible for us to identify which of the scheme's liabilities are for our own employees. For these financial statements and in line with IAS19, we have worked out these figures in the same way as a defined contribution scheme.

The last actuarial valuation of the Teachers' Pension Agency (for all teachers) was for the period 1 April 2001 to 31 March 2004. The Government Actuary's (GA) report of March 2003 revealed that the total liabilities of the scheme (pensions currently being paid and the estimated cost of future benefits) amounted to £166.5 billion. The value of assets (estimated future contributions, together with the proceeds from the notional investments held at the valuation date) was £163.2 billion. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

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

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

Under the accounting standard arrangements for IAS19, we must show liabilities at the date of the balance sheet. There is no fund for teachers' discretionary benefits and so there are no assets. The Government Actuary's Department has worked out how much we will pay using the following assumptions.

The tables referred to in the assumptions reflect the actuary's opinion on the life expectancy of people once they have retired. See table 1 on page 105

On this basis, the balance sheet liability is -£48.5 million (-£42.0 million for 2010/2011). The shortfall has increased by £6.5 million. The movement in the shortfall is made up as shown in table 2 (see the glossary on page 146 onwards for the definition of terms used below).

The liability arising from the IAS19 calculations is notional and has no direct effect on our reserves or the employer's contributions. As the scheme is unfunded, we pay the pensions as they become due in the year.

We pay over the employees' and employer's contributions to the Government. Also, we must pay any costs relating to early retirement. In 2011/2012, retirement costs (lump sums) were £0.2 million (£0.017 million in 2010/2011). There are two kinds of contributions – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability for that teacher's service. We would pay a supplementary contribution if we found that future liabilities would not be met by the normal contributions. For the normal contribution in 2011/2012, teachers paid 6.4% of their salary and we paid 14.1% of teachers' salaries. A supplementary contribution is not needed at the moment. The total employers' contribution cost was £18.1 million in 2011/2012 (£21.4 million in 2010/2011). This was 14.1% (14.1% in 2010/2011) of teachers' salaries.

We are also responsible for all pension payments relating to added pensionable years we have awarded, together with the related increases. In 2011/2012, these came to £2.8 million (£3.1 million in 2010/2011) and represented 2.2% (2.2% in 2010/2011) of pensionable pay. We must also pay any costs relating to employees retiring early. In 2011/2012, these retirement costs were £0.2 million (£0.017 million in 2010/2011). Under IAS19, we class these benefits as defined contribution and so the requirements of IAS19 apply.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement In Reserves Statement so that the charge made against Council Tax reflects the actual cash we have paid relating to the year. See table 3 page 107

Table 1 on page 105 shows details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 25 on page 64) sets out the actuarial gains and losses made in 2011/2012.

The Firefighters' Pension Scheme

There is a defined-benefit pension scheme for our firefighters, under the Superannuation Act 1972. Communities and Local Government is responsible for the legislation and regulations governing the scheme.

The Firefighters' Pension Scheme in England is an unfunded scheme where the employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We 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 now run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The scheme has no investment assets.

Under these arrangements the pension fund will be 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 government 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. This grant is paid to the Firefighters Pension Fund and not the County Council.

We pay firefighters' retirement and superannuation benefits and they are charged to the Firefighters' Pension Fund.

The employees' and employers' contribution rates are set by the Government and this is currently 11.0%/8.5% (employees old scheme/new scheme) and 21.3%/11.0% (employers old scheme/new scheme) of firefighters' pay. In 2011/2012, pension payments totalled £4.8 million (£4.5 million in 2010/2011) and this was 55.6% (41.5% in 2010/2011) of pensionable pay. We must pay any costs relating to early retirement. There were cost totalling £0.1 million in 2011/2012.

Under the accounting standard arrangement for IAS19, we must show liabilities at the date of the balance sheet. The liabilities have been worked out by the Government Actuary's Department using the following actuarial assumptions. See table 1 on page 105.

The tables referred to in the assumptions reflect the actuary's opinion on the life expectancy of people once they have retired.

On this basis, the balance sheet liability is -£180.1 million (-£166.3 million in 2010/2011). The shortfall has increased by £13.8 million. The movement in the shortfall is reconciled in table 2 on page 106 (see glossary on page 146 onwards for the definition of terms used below).

The liability arising from the IAS19 calculations is notional (no cash is actually transferred) and has no direct effect on our reserves or the employer's contribution in the current year. As the scheme is not funded, we pay the pensions as they become due. We value liabilities in terms of their present cost.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement in Reserves Statement so that the charge made against Council Tax reflects the actual cash we have paid relating to the year.

We have made the following transactions in the Comprehensive Income and Expenditure Statement during the year. See table 3 on page 107.

Table 1 on page 105 shows details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 25 on page 64) sets out the actuarial gains and losses made in 2011/2012.

Firefighters Injury Awards Scheme

On 1 April 2006 the firefighters' injury awards ceased to be a firefighters' pensions liability and ongoing costs were to be financed from the authority's revenue account. We recognised that there was an ongoing liability to pay injury awards but these were not included in our balance sheet. However, under the review for treatment of employment benefits under IFRS we have now been advised that we should treat these awards as pension scheme benefits and have restated our balance sheet at 1 April 2009 and 31 March 2010 accounts accordingly.

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

Under the accounting standard arrangement for IAS19, we must show liabilities at the date of the balance sheet. The liabilities have been worked out by the Government Actuary's Department using the following actuarial assumptions. See table 1 on page 105

On this basis, the balance sheet liability is -£18.8 million (-£16.9 million in 2010/2011). The shortfall has increased by £1.9 million. The movement in the shortfall is reconciled in table 2 on page 106 (see glossary on page 146 onwards for the definition of terms used below).

The liability arising from the IAS19 calculations is notional (no cash is actually transferred) and has no direct effect on our reserves or the employer's contribution in the current year. As the scheme is not funded, we pay the awards as they become due. We value liabilities in terms of their present cost.

Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the Comprehensive Income and Expenditure Statement when employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement in Reserves Statement so that the charge made against Council Tax reflects the actual cash we have paid relating to the year.

We have made the following transactions in table 3 on page 107 in the Comprehensive Income and Expenditure Statement during the year.

Table 1 on page 105 shows details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 25 on page 64) sets out the actuarial gains and losses made in 2011/2012.

Local Government Pension Scheme - other employees

We operate a funded, defined-benefit pension scheme for our staff, under the Superannuation Act 1972 and the Local Government Regulations 1995. We manage the scheme for ourselves, the five district councils and 86 other organisations. We prepare the accounts in line with the CIPFA Code of Practice and they are separate from our financial statements.

The scheme provides pensions and other retirement benefits for employees, based on final salaries. The yearly funding cost of these pensions is based on valuations the fund's actuary makes every three years. Our costs are covered by both our and our staff's contributions. Under IAS19, we show the cost of retirement benefits in 'Money spent on services' in the income and expenditure account when the employees earn them, rather than when the benefits are eventually paid as pensions. However, we have made an adjustment in the Movement in Reserves Statement so that the charge against Council Tax reflects the actual cash we have paid in employer's contributions relating to the year.

In 2011/2012, the contribution rates were based on the results of the 31 March 2007 actuarial valuation. As a result, our employer's contribution rate was 232% of the employees' contribution (225% for 2010/2011).

In 2011/2012, we made normal employer's contributions totalling £21.9 million (£21.4 million in 2010/2011). This was 14.9% of pensionable pay (14.4% in 2010/2011).

The accounting standard International Accounting Standard 19 (IAS19) says we must show our assets and liabilities at the date of the balance sheet. These are taken at market value and the liabilities have been worked out using the following assumptions see table 1 on page 105.

The post retirement mortality assumptions reflect the actuary's opinion on the life expectancy of people once they have retired, this years assumptions are based on the SAPs birth tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with 1% pa long term trend.

The assets of the scheme are split as follows.

On 31 March 2011 £ millions	**Assets of the Local Government Pension Scheme split between investment categories**	**On 31 March 2012 £ millions**
423.8	Equities	415.8
32.1	Government Bonds	65.0
83.5	Other Bonds	65.0
64.2	Property	71.5
6.4	Cash	0.0
32.1	Other (fund of hedge funds)	32.4
642.1	**Total**	**649.7**

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

On 31 March 2011 % a year	**Expected rates of return on assets**	**On 31 March 2012 % a year**
7.5%	Equities	6.3%
4.4%	Government Bonds	3.9%
5.1%	Other Bonds	3.9%
6.5%	Property	4.4%
0.5%	Cash	3.5%
7.5%	Other (fund of hedge funds)	6.3%

Our assets and liabilities for retirement benefits for the Local Government Pension Scheme as at 31 March 2011 are as follows.

On 31 March 2011 £ million	Local Government Pension Scheme	On 31 March 2012 £ million
642.1	Fair Value of Assets	649.7
-878.4	Present Value of Liabilities	-940.1
-236.3	**Shortfall**	**-290.4**

On 31 March 2011 £ millions	Local Government Pension Scheme	On 31 March 2012 £ millions
1,000.8	Market Value of total fund assets at last valuation as at 31 March 2007 (Total Fund)	1,099.0
1,179.0	Market Value of total fund assets as at 31 March (Total Fund) - Draft	1,211.7
42.8	Actual return on scheme assets (Warwickshire County Council)	16.5

The shortfall has increased by £54.1 million. The movement in the shortfall is reconciled in table 2 on page 106. (See the glossary on page 146 onwards for the definition of terms used.)

On 31 March 2011 £ millions	Local Government Pension Scheme - change in fair value of scheme assets during the year	On 31 March 2012 £ millions
577.0	Fair value of assets at the beginning of the year	642.1
36.8	Expected return on assets	41.1
23.4	Actuarial gains/(losses) on assets	-33.3
23.1	Employers' contributions (including receipts covering early retirements)	22.0
9.5	Member contributions	8.9
-27.7	Benefits/transfers paid	-31.1
642.1	**Fair value of assets at the end of the year**	**649.7**

There were actuarial gains as a result of a difference between expected and actual returns on assets. There were actuarial losses due to the differences between the actuary’s assumptions and the actual charges for liabilities, demographic (for example, life expectancy) or financial factors. The actuarial gain on assets amounted to 3.7% of the value of the assets at 31 March 2012.

Local Government Pension Scheme - history of experience gains and losses	Differences between the expected and actual return on assets £ millions	Experience gains and losses on liabilities £ millions
On 31 March 2006	67.4	-15.0
On 31 March 2007	-4.1	0.0
On 31 March 2008 Restated	-53.7	3.0
On 31 March 2009	-135.9	0.0
On 31 March 2010	119.7	0.0
On 31 March 2011	23.4	39.7
On 31 March 2012	-24.4	-13.0

The actuarial valuation is carried out by law every three years. It takes a long-term view and assesses the ability of the fund to meet its future liabilities. The actuary assesses the difference between the fund’s projected assets and liabilities and works out the amount employers will have to contribute for the next three years. So, the valuation on 31 March 2010 set the rates for 2011/2012, 2012/2013 and 2013/2014. The fund aims to set employers' contribution rates so that the projected assets equal at least 100% of the projected liabilities.

The actuarial valuation that relates to the employers’ contribution rate for 2011/2012 took place as at 31 March 2010. At the last valuation, the funding level was 83%. As a result, the employers’ rate increased from 1 April 2012 from 14.4% to 14.9%.

The value of the pension fund assets at 31 March 2012 is based on the market value at 31 December 2011. The actuary has made an assumption about the movement in the investment market to arrive at the valuation at the balance sheet date. Information that became available after 31 March 2012 showed that the market value of investment was approximately 0.9% higher than stated in the accounts, so the IAS19 pension deficit may actually be lower than shown.

We have made the following transactions, in table 3 on page 107, in the Comprehensive Income and Expenditure Statement during the year.

We are responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2011/2012, these came to £1.3 million (£1.3 million in 2010/2011), which was 0.8% (0.8% in 2010/2011) of pensionable pay. Table 1 on page 105 gives details of the assumptions we have made when estimating the figures included in this note. The movement in reserves (note 25 on page 64) gives details of the actuarial gains and losses made in 2011/2012.

The expected return on Scheme assets does not affect the balance sheet position as at 31 March 2012, but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. This requires the consideration of the composition of the Scheme’s assets as well as the potential returns of different asset classes.

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

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

While it is impossible to predict future asset returns with certainty, the model allows the actuary to simulate thousands of possible outcomes for what the world might look like over the long term. In each of these outcomes, different asset classes will have different returns. This means that they can use the many different outcomes to calculate central estimates for asset class returns (i.e. where 50% of returns are above and 50% are below the estimated return). They also make assumptions about the expected uncertainty around future returns.

The expected rates of return quoted in the accounting schedules are based on a set of possible outcomes of the world over a period of 20 years (as an approximation for the long term), starting at 31 March 2012. The figures are output from a model that is based on a number of assumptions. Different models will use different assumptions and will therefore produce different returns.

The only exception to the use of HRAM is in deriving the expected return on bond assets: instead of the HRAM output, the yields applicable at the accounting date on suitable bond indices are used.

Table 1

On 31 March 2011				Assumptions	On 31 March 2012			
LGPS	**Teachers**	**Fire fighters**	**Fire fighter Injury Award**		**LGPS**	**Teachers**	**Fire fighters**	**Fire fighter Injury Award**
				Financial assumptions:-				
3.4%/2.9%	3.3%/2.8%	3.8%/3.0%	3.8%/3.0%	~ Rate of Inflation RPI/CPI	2.5%	2.5%	2.5%	2.5%
4.9%	n/a	5.3%	5.3%	~ Salary Increase	4.8%	n/a	4.7%	4.7%
2.9%	2.8%	3.0%	3.0%	~ Pensions increases	2.5%	2.5%	2.5%	2.5%
5.5%	5.4%	5.7%	5.7%	~ Rate of discount	4.8%	4.8%	4.9%	4.9%
				Post retirement mortality assumptions:-				
See note	See note	PA00-08	n/a	~ Current pensioners	See note	See note	PA00-10	n/a
See note	n/a	PA00-08	n/a	~ Non retired members (retiring in future in normal health	See note	n/a	PA00-10	n/a
				Life expectancy assumptions:-				
22 (23.7) years	22 (23.7) years	23.4 (25.3) years	n/a	~ A male (female) current pensioner aged 65	21.9 (23.6) years	21.9 (23.6) years	24.3 (26.3) years	n/a
22.9 (26.0) years	n/a	26.3 (28.0) years	n/a	~ A male (female) future pensioner aged 65 in 20 years time	22.8 (25.9) years	n/a	26.5 (28.3) years	n/a
				Commutation of pension for lump sum at retirement				
50.0%	n/a	n/a	n/a	~ Taking maximum cash	50.0	n/a	n/a	n/a
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0	n/a	n/a	n/a

Table 2

On 31 March 2011				Pension Schemes - change in present value of scheme liabilities during the year	On 31 March 2012			
LGPS £millions	Teachers £millions	Fire fighters £millions	Fire fighter Injury Award £millions		LGPS £millions	Teachers £millions	Fire fighters £millions	Fire fighter Injury Award £millions
913.2	44.8	181.5	18.6	Benefit obligation at the beginning of the year	878.4	42.0	166.3	16.9
27.6	0.0	3.8	0.2	Current service costs	24.8	0.0	3.5	0.3
51.4	2.4	9.6	0.9	Interest on pensions liabilities	47.7	2.2	9.4	1.0
9.5	0.0	0.9	0.0	Member contributions	8.9	0.0	1.0	0.0
-54.7	-2.4	-18.9	-2.0	Past service costs gain (-)/loss	2.1	0.0	0.0	0.0
0.4	0.2	0.0	0.0	Curtailments	2.8	0.0	0.0	0.0
0.0	0.0	0.0	0.0	Liabilities extinguished on settlement	-25.6	0.0	0.0	0.0
-27.7	-3.0	-5.6	-0.5	Benefits/transfers paid	-31.2	-3.3	-6.3	-0.6
-41.3	0.0	-3.4	0.4	Actuarial gains (-)/losses on liabilities	32.2	7.6	-2.2	0.5
0.0	0.0	-1.6	-0.7	Actuarial gains (-)/losses on assumptions	0.0	0.0	8.4	0.7
878.4	**42.0**	**166.3**	**16.9**	**Present value of liabilities at the end of the year**	**940.1**	**48.5**	**180.1**	**18.8**

Table 3

On 31 March 2011				Pension scheme	On 31 March 2012			
LGPS £millions	Teachers £millions	Fire fighters £millions	Fire fighter Injury Award £millions		LGPS £millions	Teachers £millions	Fire fighters £millions	Fire fighter Injury Award £millions
				Money spent on services				
27.6	0.0	3.8	0.2	~ current service cost	24.8	0.0	3.5	0.2
-54.3	-2.2	-18.9	-2.0	~ past service cost and curtailments	-11.8	0.0	0.0	0.0
				Total net spending				
51.4	2.4	9.6	0.9	~ interest cost	47.6	2.2	9.5	1.0
-36.7	0.0	0.0	0.0	~ expected return on assets	-41.1	0.0	0.0	0.0
-12.0	**0.2**	**-5.5**	**-0.9**	**Net Charge to Income & Expenditure Account**	**19.5**	**2.2**	**13.0**	**1.2**
				Amount to be met from government grants and local taxpayers				
99.9	2.8	15.2	1.7	~ movement on the Pensions Reserve	-54.1	-6.5	-13.8	-1.9
-64.7	0.0	-5.0	-0.3	~ less actuarial gains or losses	56.6	7.5	6.1	1.2
n/a	n/a	-3.0	n/a	~ funded by Government top up grant	n/a	n/a	-3.6	n/a
35.2	**2.8**	**7.2**	**1.4**	**Contribution from (-) the pensions reserve**	**2.5**	**1.0**	**-11.3**	**-0.7**
				Actual amount charged against Council Tax for pension in the year				
23.2	0.0	1.7	0.0	~ employers contributions and ill-health contributions	22.0	0.0	1.7	0.0
0.0	0.0	0.0	0.0	~ retirement benefits paid or due to pensioners	0.0	0.0	0.0	0.0
23.2	**0.0**	**1.7**	**0.0**		**22.0**	**0.0**	**1.7**	**0.0**
				Amount Funded by Government top Up Grant				
n/a	n/a	5.6	n/a	~ retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	6.2	n/a
n/a	n/a	0.0	n/a	~ transfers in	n/a	n/a	0.0	n/a
n/a	n/a	-0.9	n/a	~ employee contributions	n/a	n/a	-0.9	n/a
n/a	n/a	-1.7	n/a	~ employers contributions and ill-health contributions	n/a	n/a	-1.7	n/a
n/a	**n/a**	**3.0**	**n/a**	**Government Top up Grant Receivable**	**n/a**	**n/a**	**3.6**	**n/a**
				Movement in Reserves Statement				
12.0	-0.2	-0.1	0.9	~ reversal of net charges made for retirement benefits in accordance with IAS 19	-19.5	-2.2	-19.2	-1.2
23.2	0.0	1.7	0.0	~ employers contributions and ill health contributions	22.0	0.0	1.7	0.0
	3.0	5.6	0.5	~ retirement benefits paid or due to be paid to pensioners and transfers out	0.0	3.2	6.2	0.5
35.2	**2.8**	**7.2**	**1.4**		**2.5**	**1.0**	**-11.3**	**-0.7**

For more information, please contact Mathew Dawson on 01926 412861 (email mathewdawson@warwickshire.gov.uk) for a copy of our Pension Fund's Annual Report 2011/2012.

Scheme History:

Scheme History	On 31 March 2006 £ millions	On 31 March 2007 £ millions	On 31 March 2008 Restated £ millions	On 31 March 2009 £ millions	On 31 March 2010 £ millions	On 31 March 2011 £ millions	On 31 March 2012 £ millions
Present Value of Liabilities:-							
~ Local Government Pension Scheme	-661.9	-675.2	-753.7	-649.5	-913.2	-878.4	-940.1
~ Teachers Pension Scheme	-40.4	-40.2	-43.4	-37.7	-44.8	-42.0	-48.5
~ Firefighters Pension Scheme	-168.9	-152.6	-131.3	-124.0	-181.5	-166.3	-180.1
~ Firefighters Injury Awards scheme				-12.7	-18.6	-16.9	-18.8
Total Present Value of Liabilities:-	**-871.2**	**-868.0**	**-928.4**	**-824.0**	**-1,158.1**	**-1,103.6**	**-1,187.5**
Fair Value of Assets in the Local Government Pension Scheme	**496.0**	**529.2**	**515.3**	**423.0**	**577.0**	**642.1**	**649.7**
Surplus/(Deficit) in the Scheme:-							
~ Local Government Pension Scheme	-165.9	-146.0	-238.4	-226.5	-336.2	-236.3	-290.4
Total Surplus/Deficit	**-375.2**	**-338.8**	**-413.1**	**-401.0**	**-581.1**	**-461.5**	**-537.8**

The Council has elected not to restate fair value of scheme assets for 2004/2005, 2005/2006 and 2006/2007 as permitted by IAS19.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £537.8 million has a substantial effect on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £234.9 million.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:-

- The deficit on the Local Government pensions Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- finance is provided for the firefighters pensions scheme by the government for amounts paid over and above that paid by us and by the funds members as they are paid;
- finance is provided by the Teachers Pensions Agency;
- firefighters injury awards are financed through revenue budgets.

The following table shows the actuarial gains and losses for each of the funds for the year and the cumulative actuarial gains and losses from 2003/2004 when FRS 17 (now IAS19) was applied to our accounts and included in the Comprehensive Income and Expenditure Statement (previously included in the Statement of Total Recognised Gains and Losses (STRGL)).

LGPS	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2003/2004	53.0	14.7	0.0	0.0	0.0	0.0	53.0
2004/2005	9.7	2.4	-10.8	1.9	-96.7	16.9	-97.8
2005/2006	67.6	13.6	-15.0	2.3	-51.6	7.8	1.0
2006/2007	-4.1	0.8	0.0	0.0	33.9	5.0	29.8
2007/2008	-55.4	10.7	4.5	0.6	-27.3	3.6	-78.2
2008/2009	-136.0	32.1	165.5	25.5	0.0	0.0	29.5
2009/2010	119.7	20.8	-214.0	23.4	0.0	0.0	-94.3
2010/2011	23.4	3.6	41.3	4.7	39.7	4.5	104.4
2011/2012	-24.4	3.8	32.2	3.4	-13.0	1.4	-5.2
Total cumulative actuarial gains and losses							**-57.8**

Teachers	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2003/2004	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2004/2005	0.0	0.0	0.0	0.0	-4.0	11.0	-4.0
2005/2006	0.0	0.0	0.0	0.0	-1.8	4.5	-1.8
2006/2007	0.0	0.0	0.0	0.0	1.1	2.7	1.1
2007/2008	0.0	0.0	1.6	3.7	-3.7	8.5	-2.1
2008/2009	0.0	0.0	0.0	0.0	5.9	15.6	5.9
2009/2010	0.0	0.0	0.0	0.0	-6.9	15.4	-6.9
2010/2011	0.0	0.0	0.0	0.0	-0.1	0.1	0.1
2011/2012	0.0	0.0	0.0	0.0	-7.6	15.7	-7.6
Total cumulative actuarial gains and losses							**-15.3**

Fire	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2003/2004	0.0	0.0	-8.6	0.1	-15.8	0.2	-24.4
2004/2005	0.0	0.0	8.5	6.4	-28.6	21.5	-20.1
2005/2006	0.0	0.0	-4.7	2.8	-24.1	14.3	-28.8
2006/2007	0.0	0.0	7.5	4.9	9.6	6.3	17.1
2007/2008	0.0	0.0	2.7	2.1	25.0	19.0	27.7
2008/2009	0.0	0.0	0.2	0.2	14.2	11.5	14.4
2009/2010	0.0	0.0	3.7	2.0	-54.8	30.1	-51.1
2010/2011	0.0	0.0	3.4	2.0	1.6	1.0	5.0
2011/2012	0.0	0.0	-2.3	1.3	8.4	4.7	6.1
Total cumulative actuarial gains and losses							**-54.1**

Fire Injury Awards	Difference between actual and expected return on assets		Difference between assumptions and actual experience on liabilities		Changes in assumptions used to estimate liabilities		Total
	£ millions	%	£ millions	%	£ millions	%	£ millions
2006/2007	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007/2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2008/2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2009/2010	0.0	0.0	2.1	11.6	3.2	17.2	5.3
2010/2011	0.0	0.0	0.4	2.6	-0.7	-4.3	-0.3
2011/2012	0.0	0.0	0.0	0.0	1.2	6.4	1.2
Total cumulative actuarial gains and losses							**6.2**

Note 47 Loan guarantees and other liabilities (Contingent Liabilities)

We are a partner of a special company for the ‘Pride in Camp Hill Regeneration Initiative’. The company was set up in 2002/2003. We have entered into an agreement with our partners Advantage West Midlands and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. We expect this to be completed by during 2016/2017. Each partner is committed to funding the running costs of the company in equal shares. Our share was £720,000 over the five years following this agreement. Also the partners have agreed to guarantee overdraft facilities of £100,000 with the company’s bank, again to be shared equally by all partners.

The Equal Pay Act 1970, as amended by the Equal Pay Act (Amendment) Regulations 2003, sets out the principle of equal pay for men and women. The National Pay Agreement for Pay and Conditions of local government staff in 2004 required that a pay review be under taken in ensured compliance with these principles in each local authority. Within Warwickshire, this exercise was completed in 2010. We have provided for some remaining costs of phase 1 yet to be paid as detailed in note 23 on page 62.

A class action has been brought by former employees of another local authority seeking to challenge the time limit within which a former employee may submit an equal pay claim. An appeal hearing at the Supreme Court is currently awaited, pending the outcome of which some 80 similar claims against Warwickshire County Council have been stayed.

Following Police and HSE investigations, the County Council and three Incident Commanders from the Fire and Rescue service were charged by the Crown Prosecution Service (CPS) with gross negligence manslaughter in relation to the deaths of four Warwickshire fire-fighters at a warehouse fire in Atherstone on Stour on 2 November 2007. All three Incident Commanders were cleared of the charges against then during a recent trial at Stafford Crown Court. The County Council, as the Fire and Rescue Authority, has pleaded guilty to a health and safety offence arising from the same incident but denies that any failing on its part contributed to the deaths of its employees. The Council is awaiting a sentencing hearing, which is now likely to be in September, and the resulting implications will therefore become known within the current financial year.

A group of property search companies are threatening to issue legal claims against the council, the value of which has not been validated and it is therefore not clear how much the council may be liable to pay.

Note 48 Contingent Assets

We have not identified any contingent assets at the 31 March 2012 (nil at 31 March 2011).

Note 49 Nature and Extent of Risk Arising from Financial Instruments

The authority's activities expose it to a variety of financial risks:

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

Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central Treasury Management team, under policies approved by the full Council in the annual treasury management strategy. We provide written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of Short term F1, Long Term A, Individual B, Support 3. The authority has a policy of not lending more than 20% or £10 million of its surplus balances to one institution.

Many of the invoices raised by the county council are the result of statutory obligations. However, where the county council is providing goods or services to customers, we would consider their ability to pay. A number of checks are available to Cost Centre Managers and Financial Services Managers as outlined in our Debt Recovery Best Practice Guide.

The following analysis summarises 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 Local Authority credit ratings defaulting in the last five years.

Exposure to Credit Risk	Amount at 31 March 2012 £ millions	Historical experience of Default %	Historical experience adjusted for market conditions as at 31 March 2012 %	Estimated maximum exposure to default & uncollectability £ millions
Deposits with banks	10.0	0.0	0.0	0.0
Cash at bank	17.5	0.0	0.0	0.0
Debt Management Office	39.9	0.0	0.0	0.0
Deposits with financial institutions	20.0	0.0	0.0	0.0
Deposits with local authorities	93.2	0.0	0.0	0.0
Customers (Invoiced Income)	9.5	0.0	0.0	0.0

Exposure to Credit Risk	Amount at 31 March 2011 £ millions	Historical experience of Default %	Historical experience adjusted for market conditions as at 31 March 2011 %	Estimated maximum exposure to default & uncollectability £ millions
Deposits with banks	10.0	0.0	0.0	0.0
Cash at bank	9.0	0.0	0.0	0.0
Debt Management Office	34.3	0.0	0.0	0.0
Deposits with financial institutions	20.0	0.0	0.0	0.0
Deposits with local authorities	6.6	0.0	0.0	0.0
Customers (Invoiced Income)	14.5	0.0	0.0	0.0

We do not expect any losses from non-performance by any of its counterparties in relation to deposits.

We allow in general 21 days from the date of invoicing for our customers to make settlement of their accounts and refer debts for legal action at 42 days outstanding. Of the £9.5 million owed by our invoiced customers (including bank account schools) (£14.5 million in 2010/2011) £5.6 million is past 42 days outstanding (£5.9 million in 2010/2011). We regularly report to our members on the invoiced debt outstanding over 42 days in accordance with our best practice guidance on income and debt recovery. The outstanding debt can be analysed by age as follows:-

Amount at 31 March 2011 £ millions	Debt Outstanding	Amount at 31 March 2012 £ millions
4.8	under 21 days (not yet due)	2.6
3.8	22 - 42 days	1.3
0.8	43 - 63 days	0.4
1.8	64 - 180 days	1.2
1.0	181 - 365 days	0.6
2.3	366 days +	3.4
14.5	**Total**	**9.5**

Liquidity Risk

As we have ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 20% of loans are due to mature within any rolling three year period through a combination of careful planning of new loans taken out and (where it is economical to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:-

On 31 March 2011 £ millions	Loans we have not yet repaid	On 31 March 2012 £ millions
	We owe money to:	
371.8	~ Public Works Loans Board	391.7
0.0	~ Public Works Loans Board - accrued interest	9.7
371.8	**Total**	**401.4**
	When we will pay the money back	
0.1	Less than 1 year	12.3
2.6	Between 1 and 2 years	3.1
10.7	Between 2 and 5 years	32.6
36.1	Between 5 and 10 years	31.1
322.3	More than 10 years	322.3
371.8	**Total**	**401.4**

We settle interest on our PWLB loans twice a year and as a result of the 31st March 2012 being a non-working day, we have accrued interest of £9.7 million. In line with proper accounting practices, this sum is included in the short term borrowing and shown in current liabilities in the 2011/2012 Balance Sheet.

Our level of borrowing is mainly due to paying for capital spending as shown in the table on page 11. We have not borrowed any money in 2011/2012 to pay for this 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

The authority is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:-

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement or Movement in Reserves Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement.

The treasury management team has an active strategy for assessing interest rates exposure that feeds into setting the annual budget and which is used to update the budget quarterly during the year. This allows for any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31 March 2011 £ millions	**Financial affects of interest rate variables**	**31 March 2012 £ millions**
0.0	Increase in interest payable on variable rate borrowings	0.0
0.0	Increase in interest receivable on variable rate investments	0.0
0.0	Increase in government grant receivable for financing costs	0.0
0.0	**Impact on the Income and Expenditure Account**	**0.0**
0.0	Decrease in fair value of fixed rate investment assets	0.4
0.0	**Impact on the Total Income and Expenditure Account**	**0.4**
46.8	**Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive I & E)**	**58.9**

This is not a sum of the table above.

Treasury Management

We will take into account the DCLG's (The Department of Communities and Local Government) guidance on Local Government Investments ("the guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectional Guidance Notes ("the CIPFA TM Code"). Our investment priorities are the security of the capital and the liquidity of our investments.

We use the Fitch rating to derive our counterparty criteria. Where the counterparty does not have a Fitch rating, the equivalent Moody's (or other rating agency) rating will be used. All credit ratings will be consistently monitored. We are alerted to changes in the Fitch rating through our use of the Sector creditworthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting our minimum criteria, then its further use as a new investment will be withdrawn immediately.

We will 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 will comply with the Annual Investment Strategy. The agreement between us and the fund managers additionally stipulates guidelines and duration and other limits in order to contain and control risk.

Price Risk

The authority has some shareholdings in related companies all of which have been derecognised in full prior to April 2006. Those shareholdings existed in the acquisition of specific interests and is as such not in a position to diversify its portfolio. In 2011/2012 we sold one shareholding. The current value of the remaining shareholding is £0.1 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, which in 2011/2012 amounted to a loss of £0.2 million.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Note 50 Authorisation of issue

These accounts have taken into account all known events up to 25 September 2012. On that date the accounts were authorised for issue by the Head of Finance.

John Betts
Head of Finance

Note 51 Trust funds and other third-party funds

Trust funds

These funds are not included in the balance sheet because the money does not belong to us. These funds include seven school trust funds where the money can only be used for educational purposes and one library trust fund where the money can only be used for library and also educational facilities. We hold criminal injury payments that are held in trust for children in our care and also monies held in trust for Warwick District Council relating to the sale of properties. Part of the education and library trusts are held as investments. These are shown at cost in the figures below. The valuation of these is currently higher than the original cost. Any increase in the value of the holdings will only be realised on their disposal and will at that stage be due to the trust. None of these trust funds are material. We are the only trustees of these trust funds.

On 31 March 2011 £ millions	Trust funds	On 31 March 2012 £ millions
0.3	**Balance at the start of the year**	0.3
0.0	Movement on funds during the year	0.1
0.3	**Balance at the end of the year**	**0.4**

Note 52 Five Year Summary of Transactions on Heritage Assets

Heritage Asset	2011/2012 £000's	2010/2011 £000's	2009/2010 £000's	2008/2009 £000's	2007/2008 £000's
Purchases:-					
Waller Woodcote	0.0	0.0	0.0	0.0	169.0
Golden Tower of Leaves	135.0	0.0	0.0	0.0	0.0
Recognised in year	3,600.5	0.0	0.0	0.0	0.0
Total Additions	**3,735.5**	**0.0**	**0.0**	**0.0**	**169.0**

There have been no disposals of heritage assets in the 5 year period to date.

Note 53 Further information on heritage assets:-

Museum, County Records, Shire Hall, Judges House and Courts Heritage Assets

George Eliot Collection (housed at Nuneaton Library)

The George Eliot Collection is held at Nuneaton Library. The collection was started in the early days of the town’s first public library around 1900 and has been built up over the years. There is a great deal of pride in the local author, and the library has collected early editions of her works, and books about her from all over the world.

The collection contains:

- over 2000 books, including the novels, poetry, essays, biographies and literary criticism;
- photographs;
- pamphlets;
- popular titles available for loan.
- facsimiles of 60 letters - correspondence between the author, her family and friends
- The George Eliot Fellowship collection of scrapbooks, containing newspaper cuttings and articles about the author, and their work in promoting her.

County Records Office

The office collects, preserves and makes available the historic records of Warwickshire and its people. The museum service has records dating from the 12th century onwards and our collections cover a wide variety of historical documents, from old title deeds to recent baptism registers.

Records are deposited on a regular basis, and all records are kept in a secure and safe environment so that they will be preserved for future generations.

The Waller of Woodcote archive collection purchased in 2007/2008 is a record of family and estate letters and deeds providing an insight into Warwickshire life from the 12th Century.

Warwickshire Museum Service's collections

Market Hall Museum

Geology Collection

Warwickshire Museum's geology collection consists of more than 15,000 rock, mineral and fossil specimens, many of which are either on display or available to visitors in our stores, by appointment. Today, collecting focuses on Warwickshire specimens, or those with a strong local connection.

The museum also collects records of county geological sites and conserves local sites through the planning system. Site records are complimented by a library of maps, books and scientific papers.

Natural History

Natural History is the study of the natural environment, which includes plants, animals, fungi and microbes, plus the habitats they inhabit. Collecting specimens has long accompanied the local study of wildlife. Some of the specimens are on display in our galleries but many are held in store. These tend to be items which are particularly vulnerable to display conditions or that are less attractive items but which still have a huge scientific value.

Archaeology

Archaeology is the study of the human past through material remains. This includes objects made by people in the past - such as tools, weapons, jewellery and pottery - and traces in the landscape of settlements, burial grounds, ritual and military sites. Archaeology enriches our lives because of its capacity to inform our view of the contemporary world and its scope to stimulate the imagination.

The Sheldon Tapestry Map

The Tapestry Map has been in the collection of the Warwickshire Museum Service since the 1960s.

It was commissioned in the late 1580s by Ralph Sheldon (1537-1613) to decorate his newly built house at Weston, near Long Compton, in south Warwickshire.

It was one of a set of four tapestry maps showing the counties of Worcestershire, Oxfordshire, Gloucestershire and Warwickshire. These would have hung together to create a panoramic view of England, stretching from London to the Bristol Channel.

The Sheldon Tapestry Map of Warwickshire has been off display since March 7th 2011 and will be available to view again from December 2012. It is currently undergoing repair and conservation work.

Roman Alcester Collection

This collection contains artefacts from the Roman occupation of Alcester. Roman Alcester is a partnership between Stratford on Avon District Council, Alcester Heritage Trust and Warwickshire County Council, and is supported by the Heritage Lottery Fund.

The Museum Service is responsible for the curatorial care of the objects from our collections which are on display. In addition we give curatorial advice to the museum volunteers on collections care. Warwickshire County Council has no other financial or non financial responsibility.

St John's House Museum

Social History

The Social History collection reflects the lives of Warwickshire people over the last 300 years. It includes nationally important collections of costume and textiles, dolls and toys, and a variety of everyday objects from ploughs to plaster ducks! To develop the collection, the museum service works with people of all ages and backgrounds to explore and collect aspects of life in Warwickshire in the 20th and 21st centuries.

The Cyril Hobbins Collection

A collection of toys and objects hand made by local toy maker Cyril Hobbins. Cyril's collection grew from a great interest in, and love of, wooden toys. He was also concerned that with the growth of plastic and electronic toys, the humble wooden toy might vanish altogether.

Warwickshire Regimental Museum (housed at St John's House Museum).

A collection of Regimental regalia from the last 300 years. The collection is owned by the Royal Regiment of Fusiliers and tells the story of the County Regiment, from its raising in 1674 to the Fusiliers of today.

The Regimental Museum occupies the first floor of St John's House and leases this space from the County Council. The objects within the collection are the sole responsibility of the Regiment and do not form part of the Warwickshire Museum collections.

The museum itself is a 17th century Grade I listed house, which is regarded as one of the most important buildings in Warwick. The mediaeval Hospital of Saint John the Baptist was founded by the Earl of Warwick on the site around the year 1154. On the Dissolution of the Monasteries the land was passed to the Stoughton family. It is made from 'Warwick stone', the local sandstone. When it was new the house, with its grounds and gates, would have been very imposing, reflecting the importance of Nathaniel Stoughton. In 1791 it became a private school and later, during the 20th century, was taken into use as a military record office; it has been a museum since 1961.

Warwickshire County Court and Judges House

The Courts and Judges house are listed properties built around the 1750s. Used as the County Court buildings and Judges quarters until 2011.

Objects at other locations

Other museum collection items are stored at Montague Road or the Butts museum stores. In addition to this some items are currently held at the Police Authority at Leek Wootton.

Preservation and Management

The County Records Office employs 6 archivists and a conservator, as well as a number of archive assistants and administrative staff. The archivists and archive assistants staff the public search room and provide advice to visitors on starting their research.

We also have a conservation unit, which is responsible for the physical preservation of the records. Their duties involve repairing documents, ensuring that the strong-rooms meet the optimum environmental conditions and producing surrogate copies such as microfilms and digital images.

During 2011/2012 a Historic Environment Record (HER) database was set up listing all archaeological sites and work undertaken within Warwickshire.

Repairs to the larger heritage assets e.g. buildings and sculptures will be assessed via the usual health and safety risk assessments undertaken at our Country Park and other Community Sites.

There were additions to the Museum Service collections in 2011/2012 and any which were considered insurable will be contained within the current insurance policy. Items are insured on the basis of specific importance or risk.

There were no disposals or impairments of museum service artefacts in 2011/2012.

The Museum Service policy on acquisitions and disposals of Heritage Assets is detailed in a separate policy document currently being approved by the Portfolio Holder. Once approved this will be made available within the public domain.

Heritage Education

Heritage Education is part of the Learning and Community Engagement Team within Heritage & Cultural Services. They run a number of workshops and events for children and adults during the year. This increases the accessibility of the historical collections to the general public.

Note 54 Restatement of prior year figures: Heritage Assets and Collection Fund Accounting

The 2011/2012 adoption of FRS 30 for tangible heritage assets and IPSAS 31 for intangible heritage assets has not created any significant changes to our accounts. There have been no changes to impairments or depreciation.

Since the value of heritage assets recognised is not material the Balance Sheet, Comprehensive Income and Expenditure Statement and Movement in Reserves Statement have not been restated for this change. This treatment has been agreed by our auditors.

One of the five District and Borough Councils in Warwickshire reported a change in the figures they gave us last year to be incorporated into our accounts. This had no effect in the Comprehensive Income and Expenditure Statement or Balance Sheet reported for 2010/2011 as the adjustment was so small.

For 2010/2011 we have re-categorised some income on trading accounts between internal and external income. This has no effect on net expenditure in Comprehensive Income and Expenditure Statement.

The Firefighters' Pension Fund

2010/2011 £ 000's	Fund account	2011/2012 £ 000's
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-1,747	- normal contributions in relation to pensionable pay	-1,675
-19	- early retirements	-19
-20	- other contributions	-20
-937	- from members (firefighter's contributions)	-910
	Transfers in:	
-29	- individual transfers in from other authorities	-128
-2,752	**Income to the fund**	**-2,752**
	Spending by the fund	
	Benefits payable:	
4,553	- Pension payments	4,887
1,144	- Commutation of pensions and lump-sum retirement benefits	1,363
0	- Lump sum death benefits	65
	Payments to and on account of leavers	
22	- Individual transfers out of the scheme to other authorities	58
5,719	**Spending by the fund**	**6,373**
2,967	**Net amount payable for the year (before top-up grant receivable from Government)**	**3,621**
-2,967	Top-up grant payable by the Government	-3,621
0	**Net amount payable or receivable (-) for the year**	**0**

2010/2011 £ 000's	Firefighters' Pension Fund net assets statement	2011/2012 £ 000's
	Current Assets:-	
1,165	- Top-up grant receivable from Government	1,374
	Current Liabilities:-	
-1,165	- other current liabilities (other than liabilities in the future) ~ creditor	-1,374
0	**Net assets or liabilities (-) at the end of the year**	**0**

Notes to the Firefighters' Pension Fund statements

1 Fund operations

The funding arrangements for the Firefighters' Pension Scheme in England changed on 1 April 2006. Before then, the scheme did not consist of an employer's contribution that was a percentage of pensionable pay. Each Fire and Rescue authority was responsible for paying the pensions of its own former employees on a pay-as-you-go basis. Under the new funding arrangements, the scheme is still unfunded but will no longer be on a pay-as-you-go basis. In 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 no longer required to meet the pension costs directly but instead 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 own human resources management system. The scheme has no investment assets.

Under the new arrangements 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. Contributions are set nationally by the government and is subject to a triennial (3 yearly) revaluation by the Government Actuaries Department (GAD).

2 Accounting policies

The above financial statements are accounted for on an accruals basis.

We did not use any estimation techniques in preparing these statements.

There have been no prior year adjustments.

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.

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

3 Liabilities

The statements above do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2012. Details of the long term pension obligations, employees and employers contribution rates and GAD assumptions used in the required disclosures in the authority's accounts for the Firefighters Pension Fund are found in note 46 to the accounts on pages 96 to 110.

4 Contribution Levels

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the DCLG and subject to triennial revaluation by the Government Actuary's Department.

5 AVC's and added years

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

6 Debtors and Creditors

The debtors for both years are amounts due from central government (balance of grant due to balance the account to nil). The creditors for both years are the amounts due to Warwickshire County Council (local authorities), the administering authority. All amounts are due within 1 year.

The Pension Fund

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

Fund account - Dealings with members, employers and other people directly involved in the scheme

2010/2011 £ millions	Revenue account	2011/2012 £ millions
	Income to the fund	
	Contributions receivable:	
-38.5	From employers	-39.3
-16.5	From employees	-15.6
-5.5	Individual transfers in from other schemes	-5.7
-60.5	**Income to the fund**	**-60.6**
	Spending by the fund	
	Benefits to be paid:	
39.7	Pension payments	44.8
14.8	Commutation of pensions & lump sum retirement benefits	16.4
1.5	Lump sum death benefits	1.0
	Payments to and on behalf of leavers	
6.8	Individual transfers out of the scheme	3.5
1.5	**Administration expenses paid by the scheme**	1.5
64.3	**Spending by the fund**	**67.2**
3.8	**Net additions from dealing with members**	**6.6**
	Return on investments:	
-7.8	Dividends from stocks and shares	-10.0
-2.4	Income from pooled investment vehicles	-3.6
0.0	Interest on cash deposits	0.0
	Change in market value of investments:	
-23.2	Realised profit (-) or loss on sales	-16.4
-54.2	Unrealised profit (-) or loss on investments	-14.8
	Taxes on Income	
0.4	Tax we cannot claim back	0.7
3.4	**Investment management expenses**	5.1
-83.8	**Net returns on investments**	**-39.0**
-80.0	**Net increase (-) / decrease in fund during the year**	**-32.4**

2010/2011 £ millions	Pension fund net assets	2011/2012 £ millions
80.0	Net increase / decrease (-) in fund during the year	32.4
1,099.3	Add opening net assets of the scheme	1,179.3
1,179.3	**Net assets at the end of the year**	**1,211.7**

As at 31 March 2011 £ millions	Net assets statement	As at 31 March 2012 £ millions
	Investment assets	
5.3	Fixed interest securities	6.2
328.2	Stocks and shares	343.7
837.0	Managed funds	848.1
12.5	Cash and deposits	5.8
1.7	Other Investments	1.5
1,184.7		**1,205.3**
	Current assets	
5.0	Debtors	5.6
11.8	Cash balances	3.4
	Current liabilities	
-22.2	Other creditors	-2.6
-5.4		6.4
1,179.3	**Net assets at the end of the year**	**1,211.7**

Notes

1 Operations and membership

We administer the statutory Warwickshire Local Government Pension Fund (a defined benefit scheme set up under the Local Government Pension Scheme Regulations 1997). The fund is open to our employees, the five district and borough councils and 86 other organisations. You can find a list of scheduled and admitted bodies in Note 8. The fund does not cover teachers, police officers or firefighters as these staff have different pension arrangements. The Pension Fund Investment Board is responsible for managing the pension fund. The Board is made up of five county councillors. A specialist advisor provides advice and guidance to the Board as well as the Head of Finance and his staff.

As at 31 March 2011	Membership	As at 31 March 2012
15,511	Number of members contributing to the fund	15,238
9,326	Number of pensioners paid by the fund	10,096
11,312	Number of ex-members whose pension rights are 'frozen' until they retire	12,329

2 Accounting policies

The accounts of the pension fund contain the information set out in the Code of Practice on Local Authority Accounting 2010/2011 (The Code). The Code says the accounts must keep to the SORP Financial Reports of Pension Schemes (the Pensions SORP). As a result, the accounting policies set out on pages 15 to 27 and 126 to 128 are consistent with the Pensions SORP. The accounts give a summary of the transactions and net assets of the fund. They do not take account of the liability to pay pensions and other benefits in the future. This is dealt with by the actuary's valuation every three years. The pension fund does not form part of our consolidated accounts.

a How we have prepared these accounts

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

b Valuing investments

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

- Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

- Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

- Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

The value of fixed interest investments in the scheme's investment portfolio does not include interest earned but not paid over at the end of the financial year. This is included in "Other Investments" in the accounts and Note 4.

We include acquisition costs in the purchase costs of investments.

c Investment income

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

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

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

d Foreign currencies

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

We deal with gains and losses arising from converting currencies as part of the change to the market value of investments. The exception is where there is a foreign currency derivative acting as a cash-flow hedge on investments, where we would then class this gain separately as realised profit in the revenue account.

e Contributions

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

f Benefits due to be paid

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

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

g Transfer to and from other schemes

Transfer values relate to amounts we receive from other pension funds for new members or we pay to other pension schemes for members who have left the fund. These are accounted for when either received or paid. This is normally when the member liability is accepted or discharged.

h Other expenses

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

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

Fund manager	Mandate	Negotiated fee
State Street Global Advisors	Passive Index Tracker (UK stocks and shares)	Percentage of the fund
Threadneedle Investment Services	UK stocks and shares	Percentage of the fund
MFS Investment Management	Global stocks and shares	Percentage of the fund
BlackRock Global Investors	Passive index tracker (Balanced)	Percentage of the fund
Schroder Investment Management	Fund of funds (UK property)	Percentage of the fund
Legal and General Investment Management	Passive index tracker (global stocks and shares)	Percentage of the fund
Legal and General Investment Management	Passive index tracker (fixed income)	Percentage of the fund
Threadneedle Investments	Pooled Fund (UK property)	Percentage of the fund
Blackstone Group International	Fund of funds (hedge funds)	Percentage of the fund
HarbourVest Partners	Fund of Funds (private equity)	Percentage of the fund

i) Private Equity

The determination of fair value of private equity investments can be subjective as these investments are not publicly listed. Valuations are based on forward looking estimates and judgements involving many factors. The unquoted private equity has been valued by the fund manager using guidelines set out by the British Venture Capital Association. The total fund of private equity investment in the pension fund is valued at £4.9m. There is a risk that this investment may be under or overstated in the accounts.

3 Actuarial valuation

The purpose of an actuarial valuation, which must be carried out every three years by law, is to assess the ability of the fund to meet its long-term liabilities. The actuary assesses the future growth in the value of the fund, and the future liability to pay pensions to current and former employees. The difference between projected assets and liabilities sets the amount employers must contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities. The actuarial valuation as at 31 March 2010 in the report dated March 2011 decided that the funding level was at 83%. A revised schedule of employers' contribution rates came into force from 1 April 2011.

During 2011/2012, the County Council paid employers' contributions at a rate of 14.9%. The district and borough councils paid employers' contributions at rates ranging between 15.4% and 16.8%.

The assumptions used for the March 2010 actuarial valuation were as follows.

Actuarial valuation	Past service %	Future service %
Rate of return on investments - before retirement	7.00%	7.00%
Rate of return on investments - after retirement	5.50%	5.50%
Salary and earnings increases	5.00%	5.00%
Rate of increase in pensions	3.00%	3.00%

The fund is valued using the projected unit method which is consistent with the aim of achieving the 100% funding level described above. At the 31 March 2010 actuarial valuation, the fund's assets were valued at £1,099.0 million.

4 Fund manager holdings

2010/2011 £ millions	%	Market value of external investments	2011/2012 £ millions	%
165.9	14.0	State Street Global Advisors (Index Tracker UK Equities)	168.2	14.0
169.5	14.3	Threadneedle Investments (UK Equities)	174.1	14.4
164.6	13.9	MFS Investment Management (Global Equities)	176.3	14.6
204.9	17.3	Black Rock Global Investors (Index Tracker)	211.7	17.6
162.0	13.7	Legal and General Investment Management (Index Tracker - Global Equities)	146.2	12.1
139.0	11.8	Legal and General Investment Management (Index Tracker - Fixed Income)	142.0	11.8
60.9	5.1	Threadneedle Investments (Property)	64.8	5.4
57.1	4.8	Schroder Investment Management (Property)	59.8	5.0
57.0	4.8	Blackstone Group International (Hedge Funds)	57.2	4.7
0.0	0.0	HarbourVest (Private Equity)	4.9	0.4
3.8	0.3	BNY Mellon (Global Custodian)	0.1	0.0
1,184.7	**100.0**	**Total**	**1,205.3**	**100.0**

5 Investments

	Value 1 April 2011 £ millions	Purchases at cost £ millions	Sales proceeds £ millions	Realised profit or loss (-) £ millions	Unrealised profit or loss (-) £ millions	Increase in debtors or (creditors) £ millions	Value 31 March 2012 £ millions
Fixed interest securities	5.3	0.0	0.0	0.0	0.9	0.0	6.2
Stocks and shares	328.2	130.2	-121.5	11.7	-4.9	0.0	343.7
Managed funds	837.0	25.2	-37.6	4.6	18.9	0.0	848.1
Cash and deposits	12.5	40.1	-42.2	0.0	0.0	-4.6	5.8
Other investments	1.7	0.2	-4.9	-0.1	0.0	4.6	1.5
Total	**1,184.7**	**195.7**	**-206.2**	**16.2**	**14.9**	**0.0**	**1,205.3**

2010/2011 £ millions		2011/2012 £ millions
	Fixed interest securities	
5.3	UK quoted	6.2
5.3		**6.2**
	Stocks and shares	
162.9	UK quoted	166.8
165.3	Overseas quoted	176.9
328.2		**343.7**
	Managed funds	
837.0	Managed funds	848.1
837.0		**848.1**
	Cash and deposits	
10.7	Sterling	3.0
1.8	Foreign currency	2.8
12.5		**5.8**
	Other investments	
1.8	Debtors	2.5
-0.1	Creditors	-1.0
1.7		**1.5**

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

6 Contributions and benefits

2010/2011 £ millions	Contributions we receive	2011/2012 £ millions
	Administering authority	
22.1	~ From employers	21.4
9.8	~ From employees	8.9
31.9		30.3
	Scheduled bodies	
14.7	~ From employers	15.8
6.0	~ From employees	6.0
20.7		21.8
	Admitted bodies	
1.6	~ From employers	2.0
0.7	~ From employees	0.7
2.3		2.7
	Non-scheduled bodies	
0.1	~ From employers	0.1
0.1		0.1
55.0	**Total**	**54.9**

The total contributions we received from employers was £39.3 million (£38.5 million in 2010/2011) and £15.6 million (£16.5 million in 2010/2011) from employees.

Employees contributions during the year included payments of £0.3 million to buy added year and additional regular contributions (£0.4 million in 2010/2011 for added years).

Employers' contributions during the year included £0.5 million received from employers for compensation to the fund for those retiring early and being made redundant (£1.0 million in 2010/2011).

The funding objective is to achieve and maintain a funding level of 100% of liabilities. For this reason a certain proportion of employer contribution received will be to reduce an existing deficit. The 2010 actuarial valuation stated that the deficit could be eliminated by an average contribution addition of 4.8% of pensionable pay for 19 years.

2010/2011 £ millions	Analysis of contributions by type	2011/2012 £ millions
16.1	Employee contributions - normal	15.3
0.4	Employee contributions - purchase of additional years	0.3
28.7	Employers' normal contributions	31.2
0.1	Employers' augmentation Contributions	0.0
9.7	Employers' deficit funding Contributions	8.1
55.0	**Total**	**54.9**

The deficit funding contributions figure is an actuarial calculation based on a proportion of normal employer contributions. However, in the year 2011/2012 the fund received cash amounts from three employers settling their deficits which totalled £0.3 million.

2010/2011 £ millions	Benefits to be paid	2011/2012 £ millions
	Administering authority	
29.6	~ Pension paid (including lump sums)	35.5
4.5	~ Transfers out	2.0
34.1		37.5
	Scheduled bodies	
23.8	~ Pension paid (including lump sums)	23.6
1.9	~ Transfers out	1.4
25.7		25.0
	Admitted bodies	
2.6	~ Pension paid (including lump sums)	2.6
0.4	~ Transfers out	0.1
3.0		2.7
	Non-scheduled bodies	
0.3	~ Pension paid (including lump sums)	0.5
0.3		0.5
63.1	**Total**	**65.7**

The total pensions paid out (including lump sums) was £62.2 million (£56.3 million in 2010/2011) and the total transfers out was £3.5 million (£6.8 million in 2010/2011).

7 Statement of Investment Principles

The Investment Board approved a statement of investment principles on 2 August 2010. You can get a copy by writing to the Resources Directorate, PO Box 3, Shire Hall, Warwick CV34 4RH or from the website.

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

8 Organisations contributing to the fund

Scheduled bodies

Alcester Grammar Academy
Alcester High Acandemy
Alcester Town Council
Ash Green Academy
Ashlawn Academy
Atherstone Town Council
Aylesford School Academy
Bilton High Academy
Bishops Itchington Parish Council
Bidford upon Avon Parish Council
Campion School Acandemy
Coleshill Academy
Coleshill Town Council
Curdworth Parish Council
Etone Academy
Henley High Academy
Higham Lane Academy
King Edward VI College, Nuneaton
Long Itchington Parish Council
Mancetter Parish Council
Myton Academy
North Warwickshire and Hinckley College
North Warwickshire Borough Council
The Midland Academies Trust
Nuneaton and Bedworth Borough Council
Polesworth Academy
The Priors Free School Academy
Rugby Borough Council
Royal Leamington Spa Town Council
Rugby High Academy
Ryton on Dunsmore Parish Council
Shipston Town Council
Southam Town Council
Stratford upon Avon College
Stratford on Avon District Council
Stratford on Avon Girls Grammar Academy
Stratford on Avon Girls King Edward VI Academy
Stratford on Avon School Academy
Stratford upon Avon Town Council
Studley High Academy
Warwick District Council
Warwickshire College
Warwickshire County Council
Warwickshire Police Authority
Warwickshire Probation Service
Warwickshire Valuation Tribunal
Wellesbourne Parish Council
Whitnash Town Council

Admitted bodies

ABM Catering
Alliance in Partnership (3 contracts)
Balfour Beatty
Bedworth, Rugby and Nuneaton Citizens Advice Bureau
Carillion Highways Maintenance (closed)
Class Catering (5 contracts)
Coventry Mind
Goldcrest Cleaning
Lawrence Cleaning
Mid Warwickshire MENCAP
North Warwickshire Citizens Advice Bureau
Nuneaton and Bedworth Leisure Trust
Orbit Housing and Care Group (Sanctuary Housing)
Orbit Housing Group
Rugby Town Centre Company Limited
Shipston Leisure
Solihull School
Stratford and District MENCAP
Stratford upon Avon Council for Voluntary Service
Stratford upon Avon Citizens Advice Bureau
Stratford upon Avon Town Trust Co Ltd
Taylor Shaw
The Rowan Organisation
Warwick District Citizens Advice Bureau
Warwick Schools
Warwickshire Association for the Blind
Warwickshire Care Services Ltd
Warwickshire Day Care Centres
Warwickshire Welfare Rights Service
Westfield Community Development Association

Other admitted bodies with pensioners but no pensionable employees

Beaudesert and Henley-in-Arden Joint Parish Council
Lapworth Parish Council
North Warwickshire Council for Voluntary Service
Nuneaton and Bedworth Council for Voluntary Service
People in Action
Remnant Water Authority
Rugby Council for Voluntary Service
Rugby MENCAP Hostels
Rugby MIND and Rugby Mental Health Association
Severn Trent Water Plc
Solihull Metropolitan Borough Council
St Paul's College
Stretton on Dunsmore Parish Council
Youth Clubs UK (ceased October 2010)

9 Bulk transfer out of the fund

The Magistrates' Courts left the County Council to join the Civil Service on 1 April 2005. The Government's Actuaries Department have calculated that the fund will receive an annual payment of £0.7 million commencing in April 2011 with the last payment to be received in April 2020. This is shown within the total balance of transfers in.

2010/2011 £millions	Transfers In From Other Pension Funds	2011/2012 £millions
0.0	Group transfers	-0.7
-5.5	Individual transfers	-5.0
-5.5		**-5.7**

10 Additional voluntary contributions

In 2011/2012, some members of the pension scheme paid voluntary contributions to Equitable Life and Standard Life to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include the assets held by Equitable Life or Standard Life, which were valued at £0.5 million in Equitable Life, and £2.4 million in Standard Life on 31 March 2012. The pension fund accounts also do not include additional voluntary contributions. During the financial year 2011/2012, employees contributed £0.3 million in additional voluntary contributions to Standard Life and £5,189 to Equitable Life.

11 Related Party transactions

Warwickshire County Council is the administering authority and largest employer of the Pension Fund, consequently there is a strong relationship with the council and the fund. The County Council incurred costs of £0.9m in relation to the staffing and running costs of the fund and has been reimbursed by the fund for these expenses. There is no co-mingling in terms of cash holdings, the Pension Fund manages its own bank account and operates its own cash-flow

The scheduled and admitted bodies of the fund are related parties, these can be found listed in Note 8.

There is one member of the investment board in receipt of a pension from the fund and one active member of the pension fund. Each member is required to declare their interests at each meeting. Several employees of Warwickshire County Council hold key positions in the financial management of the Pension Fund. These employees and their financial relationship with the fund (expressed as cash-equivalent transfer values) are set out below.

	Accrued pension as at 31 March 2011 £	Accrued pension as at 31 March 2012 £
Head of Corporate Finance	367,812.82	457,563.01
Head of Corporate Financial Services	136,015.01	172,874.13
Group Manager, Treasury and Pensions	293,916.74	342,907.65
Pensions Manager	223,331.90	303,983.54
Principal Accountant	47,715.69	69,272.72

12 Investment performance

Investment performance	Our pension fund %	Our benchmark %	Local Authority Average %
Yearly return on investments for 2011/2012	3.60%	3.49%	not available yet

Overall in the financial year 2011/2012, the fund had a return of 3.60% compared with the fund's specific benchmark of 3.49%.

13 Contingent liability

We expect to need £0.4 million to cover any possible refunds due to former members of the Local Government Pension Scheme (LGPS) run by Warwickshire County Council (the pension fund) that we have lost contact with. If a member leaves the scheme within three months of joining, they are entitled to a refund of any contributions they may have made into the pension fund during that period. The refund will also include an appropriate amount of interest. The pension fund is continuing to try to contact these former members and arrange refunds to them.

14 Actuarial Present Value of Promised Retirement Benefits as Provided by Hymans Robertson Pension Fund Actuary.

CIPFA's Code of Practice on Local Authority Accounting 2011/12 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

• showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;

• as a note to the accounts; or

• by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed.

The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions. I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire County Council Pension Fund, which is in the remainder of this note.

Balance Sheet

Year ended	31 Mar 2012 £millions
Present value of Promised Retirement Benefits	1,802.0

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2012 comprises £1,023m in respect of employee members, £233m in respect of deferred pensioners and £546m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable.

However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below.

Financial Assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2012 % p.a
Inflation/Pensions Increase Rate	2.50%
Salary Increase Rate	4.80%*
Discount Rate	4.80%

*Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on standard "SAPS" tables with member category specific adjustments. Improvements are based on the CMI 2009 model methodology with a 1% p.a. long term trend. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners Future Pensioners*	21.9 years 22.8 years	23.6 years 25.9 years

*Future pensioners are assumed to be currently aged 45

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 50% of the maximum tax-free cash 2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2012 for the purposes of International Accounting Standard 19' dated May 2012. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-
Richard Warden FFA
May 2012
For and on behalf of Hymans Robertson LLP

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £1,802m. This figure is used for statutory accounting purposes by Warwickshire County Council Pension Fund and complies with the requirements of IAS26.

The assumptions underlying the figure match those adopted for the Administering Authority's FRS17/IAS19 reports at each year end. The figure is only prepared for the purposes of IAS26 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

15 Nature and Extent of Risk and how the Pension Fund Manages Those Risks

The Pension Fund's activities expose it to a variety of risks:

***Credit risk**:* the possibility that other parties might fail to pay amounts due to the Pension Fund.

***Liquidity risk**:* the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.

***Market risk**:* the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.

Credit risk

The Pension Fund is exposed to credit risk through stock lending, derivative contracts, and its daily treasury activities.

The stock lending programme is administered by the Fund's custodian, Bank of New York Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for stock on loan is 105%. This level is assessed daily to ensure it takes account of market movements. In accordance with investment regulations, stock lending is restricted at no more than 25% of the total market value of the stock held within the Fund at any time.

Responsibility for managing the financial risks associated with derivative contracts rests with the appointed investment fund managers, whose performance is regularly monitored and reviewed.

The Pension Fund's bank account is held at Lloyds TSB, which holds a Fitch AA- long term credit rating (or equivalent). The Fund's cash balance is lent to borrowers in accordance with the County Council's Treasury Management Strategy. There are rigorous procedures in place to manage the security of all cash deposits, including criteria for the quality of counterparties and limits on the amount that can be placed with any one of those counterparties.

Liquidity risk

The Pension Fund holds a working cash balance or overdraft in its bank account to pay pensions and other benefits. Cash is also required if the Fund's Private Equity Fund of Fund's manager requires additional funds. The Fund currently enjoys a long term positive cash flow. Cash flow surpluses are invested with fund managers as and when required. The Pension Fund is authorised to borrow in its own right on a short term basis to fund cash flow deficits.

Market risk

To mitigate market risk, the Pension Fund is invested in a diversified pool of assets to ensure a reasonable balance between different asset categories, having taken external professional advice as necessary. The management of the assets is split between a number of investment fund managers with different benchmark performance targets and investment strategies. Each manager is expected to maintain a diversified portfolio within their allocation. Risk associated with the strategy and investment return are regularly monitored and reviewed by the Pension Fund Investment Board.

Interest rate risk is the risk to which the Pension Fund is exposed to changes in interest rates and mainly relates to holdings in bonds. This risk is managed by Legal & General and BlackRock who are the Fund's appointed bond portfolio investment managers.

For investments denominated in non sterling currencies, the Pension Fund is exposed to currency risk as a result of possible fluctuations in foreign currency exchange rates. So far as the Fund's equity investments are concerned, these risks are mitigated to some extent by the global nature of their underlying businesses. Furthermore, investment fund managers will take account of currency risk in their investment decisions.

We have prepared a table for our exposure to all non-UK assets. In order to calculate this, we created a currency basket based on the fund's foreign currency mix. We do this by multiplying the weight of each currency by the change in its exchange rate (relative to GBP) and sum to create the aggregate currency change of the 'basket'.

Currency	Value £000's	Change %	Value on Increase £000's	Value on Decrease £000's
Australian Dollar	5	10.5%	6	5
Czech Republic Koruna	957	11.2%	1,064	850
Danish Krone	1,230	8.3%	1,332	1,127
EURO	47,295	8.4%	51,249	43,341
Japanese Yen	7,537	13.3%	8,539	6,535
Norwegian Krone	12	10.5%	13	11
Swedish Krona	2,585	10.2%	2,850	2,321
Swiss Franc	15,191	10.2%	16,748	13,635
US Dollar	92,070	9.8%	101,050	83,091
Total	**166,884**	**9.6%**	**182,851**	**150,916**

Table may not sum due to roundings

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Statutory limits prescribed by Regulations are also in place to avoid concentration of risk in specific areas.

An additional area of risk is the outsourcing of custody and accounting services to external third party service organisations. The main service area that the Pension Fund outsources is its custody arrangements with Bank of New York Mellon. The Fund's custodian is responsible for the safekeeping of the Fund's assets and acts as the Fund's clearing bank, settling transactions and collecting income. In addition, they provide a range of support services including stock lending and investment accounting. Bank of New York Mellon is a global industry leader and provides the custodian service to many English local government pension scheme administering authorities.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix . The closing investment assets of the scheme have been assessed for price risk in the following table.

Asset Type	Value £ millions	Change %	Value on Increase £ millions	Value on Decrease £ millions
UK Equities	536.7	14.9%	616.8	456.6
Overseas Equities	264.4	15.3%	304.8	224.0
Total Bonds & IL	217.2	4.6%	227.1	207.3
Cash	5.8	0.0%	5.8	5.8
Alternatives	62.1	4.9%	65.1	59.1
Property	119.1	5.5%	125.7	112.5
Total Assets	**1,205.3**		**1,345.4**	**1,065.2**

Table may not sum due to roundings

16 Other disclosures

At 31 March 2012, the fund had stock valued at £11.0 million (£2.9 million at 31 March 2011) which was lent out to other organisations. The collateral held against this stock was valued at £11.7 million. This generated a total income of £0.045 million up to 31 March 2012.

The fund does not hold any property directly. Property is held in the form of pooled funds.

Our policy is to reinvest income from fixed interest securities within the pooled units of the fund. During 2011/2012 we did not earn any interest from fixed interest securities held in pooled units.

During the year 2011/2012, the pension fund paid refunds of contributions to employees of £18,314 after tax has been deducted.

Transaction costs totalling £0.4 million attributable to the acquisition and disposal of the funds investments have been added to purchase costs and netted against sale proceeds as shown in note 5.

Withholding tax has only been incurred against equities held actively by the fund.

The fund paid its external auditors a fee of £34,500 during the year 2011/2012.

17 Administrative Expenses

2010/2011 £millions	Administration Expenses	2011/2012 £millions
0.2	Actuary Fees	0.1
0.9	Costs Incurred by Administering Authority	0.9
0.0	Support/Audit/Financing Costs	0.1
0.4	Payroll Charges	0.4
1.5		**1.5**

18 Investment Income

2010/2011 £000	Investment Income	2011/2012 £000
5.9	Cash - UK - From administration of the Fund	5.2
23.3	Cash & Other Investments - UK - Fund Mgrs	-18.2
0.0	Cash & Other Investments - Overseas	1.3
4,667.9	Equities - UK	6,637.3
1,042.0	Equities - North America	1,264.6
1,391.3	Equities - Europe	1,576.6
317.2	Equities - Japan	288.4
114.6	Equities - Pacific (Ex Japan)	75.0
192.2	Equities - Emerging Markets	78.4
89.6	Stock Lending	47.8
2,311.4	Managed Funds - UK	2,263.7
122.4	Managed Funds - Overseas	1,316.9
10,277.8		**13,537.2**

Table may not sum due to roundings

19 Investment Expenses

2010/2011 £million	Investment Expenses	2011/2012 £million
3.0	Fund Managers Fees	3.7
0.3	Fund Expenses	1.3
0.1	Custody and Governance Fees	0.1
3.4		**5.1**

20 Analysis of Current Assets and Liabilities

2010/2011 £millions	Current Assets	2011/2012 £millions
2.6	Contributions due from Employers	2.5
1.2	Contributions due from Employees	1.2
0.0	Deficit Recovery Contributions due from Employers	0.3
0.1	Debtors - Strain on Fund	0.1
0.6	Sales to Cash (Invoiced Debtors)	0.6
0.5	Other Debtors	0.9
11.8	Cash balances	3.4
16.8		**9.0**

2010/2011 £millions	Current Liabilities	2011/2012 £millions
15.3	Owed to Administrating Authority	1.0
5.0	Short Term Cash flow loan	0.0
0.8	Creditors - Suppliers	1.3
1.1	Creditors - Early Retirement	0.3
22.2		**2.6**

21 Financial Instruments

The following tables present the funds closing net assets by category of financial instrument.

Financial Instruments 2011/2012	Fair Value Through Profit and Loss £ millions	Loans and Receivables £ millions	Financial Liabilities (current) £ millions	Total £ millions
Fixed interest securities	6.2	0.0	0.0	6.2
Stocks and shares	343.7	0.0	0.0	343.7
Managed funds	848.1	0.0	0.0	848.1
Cash and deposits	0.0	5.8	0.0	5.8
Other Investments	0.0	2.5	-1.0	1.5
Debtors	0.0	5.6	0.0	5.6
Cash balances	0.0	3.4	0.0	3.4
Creditors	0.0	0.0	-2.6	-2.6
Net assets at the end of the year	**1,198.0**	**17.3**	**-3.6**	**1,211.7**

Financial Instruments 2010/2011	Fair Value Through Profit and Loss £ millions	Loans and Receivables £ millions	Financial Liabilities (current) £ millions	Total £ millions
Fixed interest securities	5.3	0.0	0.0	5.3
Stocks and shares	328.2	0.0	0.0	328.2
Managed funds	837.0	0.0	0.0	837.0
Cash and deposits	0.0	12.5	0.0	12.5
Other Investments	0.0	1.7	-0.1	1.7
Debtors	0.0	5.0	0.0	5.0
Cash balances	0.0	11.8	0.0	11.8
Creditors	0.0	0.0	-22.2	-22.2
Net assets at the end of the year	**1,170.5**	**31.0**	**-22.3**	**1,179.3**

The following table the net gains on the different categories of instruments above, (shown in the fund accounts as realised and unrealised profit).

2010/2011 £millions		2011/2012 £millions
-77.4	Fair Value through profit and loss	-31.3
0.0	Loans and Receivables	0.1
0.0	Financial Liabilites (current)	0.0
-77.4		**-31.2**

The following tables categorise financial instruments according to the information used to determine their fair values:

Quoted market price - where fair values are derived from a price in an active market.

Using observable inputs - where valuation techniques have been used to arrive at a value in a market that it is not active.

With significance unobservable inputs – where there is no market data to use the values will rely on judgement and assumptions.

The carrying value of assets is the same as their fair value.

Valuation at 31 March 2012	Quoted market price £ millions	Using observable inputs £ millions	With significant unobservable inputs £ millions	Total £ millions
Financial assets at fair value	1,017.1	124.6	62.1	1,203.8
Loans and Receivables	10.5	0.0	0.0	10.5
Financial liabilties	-2.6	0.0	0.0	-2.6
Net assets at the end of the year	**1,025.0**	**124.6**	**62.1**	**1,211.7**

Valuation at 31 March 2011	Quoted market price £ millions	Using observable inputs £ millions	With significant unobservable inputs £ millions	Total £ millions
Financial assets at fair value	1,008.0	118.0	57.0	1,183.0
Loans and Receivables	18.5	0.0	0.0	18.5
Financial liabilties	-22.2	0.0	0.0	-22.2
Net assets at the end of the year	**1,004.3**	**118.0**	**57.0**	**1,179.3**

Glossary

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

Accruals

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

Actuarial gain (loss)

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

Acquisition costs

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

Admitted body

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

Agency

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

Amortisation

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

Asset

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

Benefits we have awarded for added years

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

Billing authority

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

Budget

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

Business rates (National Non-Domestic Rates – NNDR)

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

Capital fund

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

Capital Adjustment Account

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

Capital creditors

People or organisations we owe money to for capital spending which has not been paid for by the end of the financial year.

Capital debtors

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

Capital instruments

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

Capital programme

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

Capital receipts

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

Capital spending

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

Capitalised

Assets that are capitalised are added to the balance sheet.

Capital spending met from revenue

Paying for capital spending direct from revenue.

Cash-flow statement

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

Central departments

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

CIPFA

Chartered Institute of Public Finance and Accountancy.

Commutation/commutating

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

Competitive tendering

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

Contingent liability

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

Corporate and democratic core costs

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

Council Tax

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

Creditors

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

Current assets

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

Current liabilities

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

Current service cost

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

Current spending

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

Custodian

An agent, bank, trust company or other organisation which holds and protects the pension fund or assets for us.

Curtailment costs

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

Debtors

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

Deferred charges (intangible assets)

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

Depreciation

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

Disclosure

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

Earmarked reserves

Money set aside for a specific purpose.

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

General reserves

Money set aside to be used in the future.

Government grants

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

Government Grants Deferred Account

The amount of money given to us to spend on assets that had a lasting value, for example, land and buildings. This amount was reduced each year as the value of the asset reduces due to wear and tear. Due to the introduction of International Financial Reporting Standards (IFRS), this account is no longer used.

Gross spending

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

Index tracker

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

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.

Loss

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

Material related-party transactions

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

Minimum revenue provision (MRP)

The amount we have to set aside to repay loans.

Net asset value

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

Net book value

The value of an asset after depreciation.

Net interest cost

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

Net spending

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

Non-distributed costs

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

Notional

An accounting entry where there is no actual cash transfer.

Operating leases

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

Overheads

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

Past service costs

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

Pensions interest cost and expected return on assets

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

Pooled investment vehicle

This is a fund in which several investors hold units. The assets are not held directly by each investor but as part of a pool. Unit trusts are a type of pooled investment.

Precept

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

Provisions

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

Provision for credit liabilities

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

Public service agreement

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

PWLB

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

Recharges

Charges for services that we have provided.

Reconciliation

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

Regeneration

Breathing new life into the local economy.

Reimbursements

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

Reserves and funds

Savings we have built up from surpluses.

Restated

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

Return on assets

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

Revaluation Reserve

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

Revenue spending

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

Revenue Support Grant

The main government grant to support local-authority services.

Reversed out

An item of income or expenditure is taken back out.

Scheduled bodies

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

Settlement costs

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

Soft Loans

Loans made at less than the market rate of interest.

Specific grants

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

Stock and stores (Inventories)

Goods bought which have not been used.

Surplus

The remainder after taking away all expenses from income.

Trust fund

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

Unrealised

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

Underwriting

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

Unquoted securities

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

Virtual bank

A fund for self-financing projects.

Annual Governance Statement

2011 / 2012

Annual Governance Statement 2011/12

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Annual Governance Statement 2011/12

1 Scope of responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at:

http://www.warwickshire.gov.uk/Web/corporate/pages.nsf/Links/E630DF14F85E1D12802574F1003A81E5.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

2 The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic aims and ambitions and to consider whether those have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

3 The governance framework

- **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

  The Authority's Vision, which is reviewed annually as part of the Council's strategic planning process, provides strategic direction to the Council; it is the centre piece to its key plans and sets out its direction and aspirations. The Vision encapsulates what the Authority stands for, what it wants to achieve, how it wants to be regarded by the public, how it wants staff to identify with their council and how it wants to work with and influence other agencies and partners.

  The Vision is informed by an extensive programme of consultation with the public and is based on 'State of Warwickshire' and 'Quality of Life' publications which identify the socio-economic drivers for Warwickshire. The 'Quality of Life' report focuses on both quantitative and qualitative outcome indicators which reflect objective measures such as unemployment and subjective measures such as fear of crime.

  The Council's strategic aims and ambitions are developed and reviewed as part of the integrated business and financial planning process. The Strategic Delivery Framework, supported by the Corporate Business Plan, provides the context for the County Council's aims and ambitions and provides greater detail for the actions and outcomes which the Authority is aiming to deliver. The Vision, Aims and Ambitions and Intended Outcomes are communicated to citizens through a range of media including the Authority's website and, increasingly, social media. The Council has a clear forward policy statement in its Going for Growth agenda which will help the organisation navigate the next decade.

- **Reviewing the authority's vision and its implications for the authority's governance arrangements**

  Warwickshire County Council adopted a Corporate Governance Code of Practice in October 2004 which was revised in 2007/08 to reflect new CIPFA/SOLACE guidance.

  This code identifies the Council's commitment to corporate governance and makes explicit links to the Authority's Vision and Aims and Ambitions, explaining the relationship between the two.

  The code underlines the critical role governance has in the delivery of objectives, stating that 'good governance is essential for the Authority to improve the quality of its services and has a significant impact on the public's level of trust in the services that the Authority delivers'.

- **Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources**

  Warwickshire County Council's approach to performance management is set out in its Performance Management Framework. The Authority has an explicit vision underpinned by a set of strategic aims and ambitions which are detailed in the organisation's Strategic Delivery Framework. The Authority's Strategic Delivery Framework addresses both national and local priorities and is supported by a suite of

Business Unit Plans, which in turn shape the work of business units, services, teams and individuals within the organisation. The achievement of targets at all levels within the organisation is regularly monitored by a range of methods. Integrated finance and performance reports both at a corporate and business unit level are considered by Cabinet on a quarterly basis and to Audit and Standards Committee, half yearly. Performance is also presented to the relevant Overview and Scrutiny Committees as requested by the Chair.

The Overview and Scrutiny Board commissions and maintains a rolling programme of scrutiny reviews which is refreshed every two months to ensure the programme can take account of new and emerging issues. Each review has performance improvement at its heart and is supported by Democratic Services officers. The Overview and Scrutiny Board reviewed and refreshed the five year strategy for overview and scrutiny in July 2009. Overview and Scrutiny arrangements are currently part of a review of Democratic and Corporate Decision Making within the review of the Council's Corporate Framework.

The Authority has a Medium Term Financial Plan which sets out how budget decisions are made. The budget process establishes the resources required to deliver the Authority's service priorities and involves a review of the overall use of resources. Services are required to deliver improvements in cost effectiveness on an annual basis. Relevant prudential indicators are approved by Council as part of the budget resolution.

- **Defining & documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.**

  The roles and responsibilities of the executive, non-executive, scrutiny and officer functions, along with the delegation of statutory powers, are defined and documented within the Authority's Constitution.

- **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members of staff**

  The Authority's Corporate Governance Code of Practice is supported by a programme of governance training for officers and a periodic Corporate Governance Audit. The last Corporate Governance audit was reported to the Audit and Standards Committee in June 2011. Standards of behaviour for the council's staff are defined in the 'Roles and Responsibilities' document which is provided to all staff on joining the authority and available through the corporate intranet. The expectations for the behaviour of elected members are published in the member's Code of Conduct.

- **Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage the risks**

  Warwickshire County Council has decided to review all main policies and procedures through a review of Corporate Frameworks; a timetable has been developed for this which will be completed during 2012/13.

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibilities for decision-making, the role of individual members, the Council, the Executive, Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. The Forward Plan of Key Decisions is published on the Council's website. The Constitution is being reviewed as part of the ongoing review of the Council's Governance arrangements, due to be completed by the end of 2012**.**

A structured approach to procurement and contract letting is set out in Financial Standing Orders and Contract Standing Orders (CSOs). A Procurement Code of Practice provides further guidance to managers to ensure value for money is considered in all purchasing activity. The current set of contract standing orders was agreed by full council on 30th March 2010 and became effective 1 April 2010. CSO's are being reviewed as part of the Council's review of Governance arrangements and this exercise will be completed by September 2012. A risk management framework has been developed. Strategic risks are reviewed annually and incorporated in the Corporate Business Planning process. All business units have risk registers. The Council's insurances are reviewed annually.

- **Ensuring the authority's financial management arrangements conform with governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)***

  Whilst the Local Authority does not fully conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010), the following alternative arrangements are in place to ensure that the authority's financial management arrangements deliver the same impact.

  The Head of Finance is actively involved in the financial implications of all material business decisions, leads on promoting good financial management, is professionally qualified and suitably experienced and leads and directs a finance function fit for purpose. Although he is not a Strategic Director, he can attend any meeting with Corporate Board, to outline the financial implications of any proposed decisions. In addition, within the Financial Standing Orders of the Authority he has the responsibility to advise Strategic Directors as necessary on financial arrangements and has access to all documents concerned with finance. This has the effect of delivering the same impact and has now been confirmed by a formal protocol during 2012/13 as follows:-
  'That the Chief Financial Officer is entitled to attend at and offer advice to meetings of the Corporate Board and Cabinet/Corporate Board in relation to any item which he considers raises financial issues'

- **Undertaking the core functions of an audit committee as defined in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

  The Authority's Audit and Standards Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference are published as part of the Constitution.

- **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

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

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

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

  The Monitoring Officer with the Section 151 Officer also commissions periodic Corporate Governance and Contract Standing Orders compliance audits. The Council has delegated responsibility for maintaining an adequate internal audit function to the Strategic Director for Resources. A programme of risk based audits is carried out by the Risk and Assurance Service. A summary of audit work is reported to the Audit and Standards Committee which has responsibility for oversight of probity and audit issues and meets regularly. In addition, external audit and external inspection agencies such as Ofsted contribute to the review of the Authority's compliance with its policies, laws and regulations.

- **Whistle-blowing and receiving and investigating complaints from the public**

  This was renamed the 'Whistleblowing Policy' from the 'Public Interest Reporting Code'. This outlines procedures for staff members wishing to raise a concern, the response they can expect from the Authority and the officers responsible for maintaining and operating the code (which is essentially all managers). Two articles on Whistleblowing were published on the intranet in 2011. A confidential register of concerns raised and the subsequent outcome of investigations is held by the Resources Group.

  Complaints from members of the public are addressed according to the 'Corporate Complaints Procedure' ('making sure positive or negative customer feedback is valued and used to improve services') and managed corporately by the Customer Services business unit. Extensive guidance is available to staff through the Authority's Intranet site and to the public on the Council's website and through written publications. This procedure is currently under review and it is anticipated that the changes will take effect in 2012/13.

- **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

  The development and training of elected members is managed by Democratic Services within the Law & Governance Business Unit of the Resources Group. At the beginning of their term of office, each elected member undergoes an induction programme which includes training on Corporate Governance. The Authority conducts regular Member Development Seminars which cover a broad range of topics both on matters internal to the Council and on relevant external subjects. A member development programme is agreed each year to ensure core development needs of members aligned to their respective roles are met and to take account of new and emerging issues. Democratic Services also maintain an electronic database of the training received by and planned for members. The Chief Executive conducts appraisals of each of the three Strategic Directors and the County Fire Officer and they in turn appraise their respective Heads of Service. The appraisal framework applies throughout the organisation. Each appraisal results in a plan of development objectives which are supported by training as appropriate.

- **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

  The Corporate Communications Strategy defines Warwickshire County Council's approach to managing effective communication with the community and other stakeholders. The strategy defines the roles and responsibilities within the Authority for managing communication, the people and entities with whom the Authority needs and aspires to communicate and the methods, channels and media by which that communication is achieved.

  Corporate Communications are managed within the Resources Group.

  The Consultation and Engagement Framework was significantly revised and relaunched in July 2011 and will be part of the wider review of Corporate Frameworks during 2012/13.

  The results of all public consultations are publicised on the Authority's website. A Forward Plan of Key Decisions is also publicly available, allowing interested parties to lodge their views prior to the decision being made.

  The Council is responsible for the operation of a network of thirty Community Forums across the county, each of which meet on a minimum of four occasions per year. These are run in partnership with the District/Borough Councils, Warwickshire Police, and Health Service and provide the opportunity for the public to engage with Councillors and public service providers about their concerns and priorities. Governance arrangements will be kept under review.

- **Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements**

A Partnership Governance Toolkit has been developed for use when establishing partnerships. Within the suite of documents is a tool which enables the assessment of a partnership's contribution to the Council's strategic objectives. There is an approved list of the Council's significant partnerships. A 'Partnerships Protocol' is available to staff which 'identifies the different types of partnership that can be established and aims to set out the arrangements needed to facilitate their smooth running and effectiveness. It also sets out the standards expected to ensure that the Council is protected in the partnership arrangements that it is involved in'.

Partnership governance forms part of the responsibility of a Cabinet member. The formal Governance arrangements for the Council's partnerships have been under review for some time and there is a growing emphasis on supporting partnership bodies which focus their activity on supporting the delivery of services in local communities.

4 Review of effectiveness

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

The review of effectiveness was co-ordinated by an evaluation team consisting of representatives from each group, the Head of Internal Audit and chaired by the Head of Law and Governance. In carrying out their review, the evaluation team:

- Considered the approach of the Authority to establishing its principal statutory obligations and organisational objectives
- Considered the approach of the Authority to identifying principal risks to the achievement of those obligations and objectives
- Identified the key control frameworks that the Authority has in place to manage its principal risks
- Obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspection
- Evaluated the assurances provided and identified gaps

The evaluation team scrutinised a series of assurance statements prepared by executive managers. These statements describe and provide evidence of the control frameworks and, where appropriate, referred to the results of reviews carried out by external agencies during the year including the external audit of the accounts.

The work of the evaluation team was scrutinised by the Monitoring Officer and the Section 151 Officer before being submitted to the Audit and Standards Committee for further scrutiny and reported to Cabinet and Council.

The Authority's governance arrangements have also been reviewed throughout 2011/12 in a number of ways including:

- The Terms of Reference for a comprehensive review of the Council's overall Governance arrangements was agreed in 2011/12. This fundamental review will take place in two phases followed by member briefing and training of all aspects before the end of 2012
- Scrutiny Reviews
- Internal Audit has undertaken risk based reviews across all groups and a range of functions across the Authority

The results of the Internal Audit work were reported to the Audit and Standards Committee throughout the year and the individual reviews fed into the overall Internal Audit Annual Report. That report concludes that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings were duly considered in the preparation of this statement by the evaluation team and the Audit and Standards Committee.
We have been advised on the implications of the result of the review of effectiveness of the existing governance framework by Cabinet and the Audit and Standards Committee and plan to address weakness and ensure continuous improvement of the system is in place.

5 Governance Issues

- **Transforming the Organisation**

  In response to the challenges posed by the current economic climate, the Authority is transforming itself into a leaner, more streamlined organisation driven by a clear Going for Growth agenda. Significant changes are being made with regards to accountability arrangements, essential skills, procedures, culture and workforce planning to ensure that this transition is smooth and effective. The restructuring of the organisation in 2011/12 and the climate surrounding local government demands new models of governance, in particular we need to review how Members hold a business and commercial culture to account. Member engagement, strong leadership and clarity around delegation of responsibility are key to the successful implementation of this organisational change. We need to define what the local authority of the future is for, and the future role of elected Members.

  The major focus for the Authority in the coming year is to address the challenges it faces in moving to a commissioning role. This involves a different approach to service delivery requiring the Authority to be clear about priorities, what needs we are trying to meet and ensuring that managers have the necessary skills to meet those needs. In addition, the Authority faces the challenge of matching rising customer expectations with reduced resources.

  The move to a commissioning organisation where a large volume of activity will no longer necessarily be directly provided by Warwickshire County Council staff will require more highly developed commercial awareness across the organisation, which must be reflected in the specification, tendering and monitoring of services and the maintaining of propriety in relationships with all contractors. The Council is planning to recruit a Commercial Enterprise Lead in this context. The controls supporting a move to commissioning will need to be robust, continuously monitored and consistently applied. Delivery of the Authority's Strategic Commissioning Programme involves complex legal, financial, commercial, property, IT and contractual issues, which will pose significant challenges for the Authority. Staff and Members must therefore be equipped with the skills to manage the different risks involved.

Good governance and standards of control need to be appropriate for the future shape and development of the organisation and strictly upheld during the process to ensure that risks are managed and we achieve the right outcomes. It is critical to manage the pace of change and understand the impact of that change.

The Council is committed to working with partners and has recently signed a Memorandum of Understanding with Coventry City Council and Solihull Metropolitan Borough Council with a view to maximising best value collaborative working opportunities and economies of scale. The value and success of this arrangement will require strong and equal commitment by all parties.

We have modified the way we support and work with our strategic partners to ensure an outward focus is retained, however work must continue to increase the precision and effectiveness of such arrangements and we will continue to make this a key priority. In addition, our capacity to drive the range of operational partnerships has reduced and we need to be clear on our focus in light of the smaller resource base. We need to continue to prioritise our strategic partnerships.

As part of the Council's overall review of its services and its financial savings programme 2011/12, significant work was undertaken on transforming the youth service and a number of libraries have been successfully transferred to the voluntary sector. Work is continuing on the transfer of further libraries and some other services to the private or voluntary sectors. The Council has approved an overall framework and policy in relation to Social Enterprises and Staff Mutuals to assist with this process of localising services. The Localism Act and its impact on service delivery options will be monitored. Locality Working and Community Forums remain a key priority for the Authority in its engagement with local communities and implementing improvements.

The Authority is committed to more flexible working to make the best use of its limited resources, but to achieve this will require the highest level of ICT support together with a robust, reliable ICT infrastructure. The Council is implementing cloud computing to reduce costs and increase flexibility allowing staff to work from other locations. Rigorous arrangements need to govern the adoption of cloud computing to ensure that risks to the Council associated with new and unexplored technology are carefully managed.

The role of ICT in the rationalisation of office accommodation is integral to the future functioning of the Council. The property rationalisation programme aims to reduce the number of Council owned and occupied buildings and achieve the requisite savings targets. However, it is imperative that the rationalisation of property also delivers the accommodation solutions necessary to ensure that services can be delivered effectively, to achieve the flexible working vision and to ensure the Council continues to fulfil its statutory responsibilities.

The above developments reflect major cultural changes in the way the organisation will need to operate. This will require robust management to ensure that benefits are delivered and the impact of change on the Council's employees, who are its most valuable asset, is recognised.

- **Adult Social Care**

  Adult Social Care is facing significant cost, quality and demographic pressures at the same time as the service is moving from being a provider to a commissioner of services. This is against the backdrop of uncertainty nationally about the future funding of social care.

  Adult Social Care continues to face fundamental cultural changes requiring improved skills in market and contract management whilst managing the budget impact. In particular the move to a commissioning model across many adult services will require constant monitoring and market development to ensure that the appropriate services are available and that they support all our customers in Warwickshire.

  This change agenda requires a range of specialist skills to address the legal, financial, commercial, property, information governance and IT challenges it poses. The Authority will continue to monitor progress through regular reporting to Cabinet and the Adult Social Care and Health Overview & Scrutiny Committee.

- **Financial Management**

  The current economic climate continues to put pressure on the Council to deliver quality services with limited resources.

  Strong financial leadership is required to ensure that resources continue to provide value for money for the residents of Warwickshire, whilst still providing the standard of service that residents expect.

  The current economic situation means that resources are constrained and the level of financial support available to managers has been adversely affected by the need for the finance support service itself to reduce costs. Work is underway to transform the finance service to allow it to deliver more effective ways of working and to ensure that the right financial management skills are available to managers across the organisation. This will enable them to function effectively and efficiently in delivering their services

  The implementation of the new Agresso financial systems continued during 2011/12 and into 2012/13 in order to meet the Authority's need for improved financial information. A number of issues arose with the implementation of the system, particularly around the prompt completion of the bank reconciliation; this was mentioned in the External Auditors' Governance Report for 2010/11. Issues also arose during 2011/12 with the Procure to Pay module. Action plans are in place to address all the issues identified and steps are also in place to ensure that the remaining elements of the new system and the associated business process improvements are delivered on time and on budget whilst maintaining high standards of control.

- **Medium Term Financial Outlook**

  The impact of the Local Government Resources Review is not yet known but could introduce substantial volatility in funding in the future. This includes the one off funding for council tax freeze and the localisation of council tax benefit and business rates and introduction of the Community Infrastructure Levy. These issues will continue to be monitored and a dialogue maintained with district/borough councils within the County.

- **The Council's Changing Relationship with Schools**

  The Government's education agenda and the rapid growth in the number of schools transferring to Academy status is the driver behind a significantly changing relationship between the County Council and Warwickshire schools.

  With twenty secondary schools having already been granted academy status, a further two in the process of consulting and the likelihood of others leaving the Authority's control within the next twelve months, the Council is fundamentally reviewing the way in which it responds to the inevitable changing relationships with both maintained schools and Academies.

  During 2011/12, the Council commissioned a comprehensive review of the changes taking place across the Warwickshire education landscape and the impact of these on the Authority's role and previous relationship with its schools. Various parts of the Council are taking forward the range of recommendations arising from that review to help establish the Council's new role and responsibilities in the fast changing education environment, and to review the impact this is having on the continuing viability of the Council's services to schools. The continuing viability of many of these services will be further examined during 2012/13.

  A Council wide Academies Group is overseeing the coordination of the Council's response to the evolving issues and the Warwickshire Education Service (WES) Board is monitoring and responding to the impact of these changes on the Local Authority's services.

  The approach of the Local Authority will be to continue to promote the welfare of children in education in Warwickshire and to work in partnership with schools, regardless of status, to ensure high levels of academic attainment. Robust management controls need to be in place to manage the risks associated with these developments and as a champion of the child, the Council will be placing continuing emphasis on a proactive and close working relationship with schools.

- **Warwickshire Fire & Rescue Service - Atherstone on Stour Tragedy**

  Following Police and HSE investigations, three Warwickshire Fire & Rescue Incident Commanders were charged with Gross Negligence Manslaughter in relation to the death on 2 November 2007 of four fire fighters at Atherstone on Stour. All 3 men have now been acquitted. The County Council has also been charged in relation to a health and safety offences following the same incident, the Crown Court hearing for which will take place during Summer 2012. These proceedings will continue the profound impact this tragedy has had on the Fire and Rescue Service, particularly in terms of staff morale and confidence and the potential for reputational damage. All these issues are being continuously and carefully managed.

  The replacement of the Police Authority with an elected Police and Crime Commissioner in 2012 will provide a new framework for future engagement with the Police Service.

- **Warwickshire Fire & Rescue Service - Strategic Alliance**

  Within the current financial environment, the Council also faces the difficult task of managing the continuing provision of fire and rescue services, whilst delivering a challenging modernisation plan within significant financial constraints. Monitoring the implementation of the improvement plan is ongoing and as part of this process Cabinet agreed to explore the possibility of a Strategic Alliance with Northamptonshire Fire & Rescue Service to pursue greater levels of collaborative working and joint strategic commissioning. Work on developing a Memorandum of Understanding, business case and project plan will continue during 2012/13.

- **Keeping Information Safe**

  Information security is a key issue for all public sector organisations in the light of data losses in a number of such bodies. In addition the Authority has also been subject to some data management issues which have been formally resolved. A robust process for investigating data losses is in place and the Authority continues to ensure that the data of its staff, customers and business activities is stored securely, legally and in accordance with Council policy. In addition, each Head of Service has carried out an information risk assessment to identify any improvements required in order to ensure that the organisation will not be exposed to the substantial fines that could otherwise be levied by the Information Commissioner's Office.

- **Public Health**

  Responsibility for Public Health will transfer to Warwickshire County Council from the Health Service in April 2013. Work is currently underway to integrate Public Health into the County Council's structure and processes and to assess the financial implications. In preparation the Council has put in place a Shadow Health and Wellbeing Board whose role will continue to evolve.

  There is a significant risk that insufficient resources would transfer from health to the County Council to deliver the new responsibilities. The new responsibilities may lead to conflicts between the commissioning arrangements and our leadership role. There remain uncertainties over the interface between the Authority and the Clinical Commissioning Groups and the impact on patterns of provision.

  The inevitable challenges presented by this transfer of service will be carefully managed over the next twelve months.

- **Safeguarding Children**

  In light of recent high profile safeguarding children cases at a national level, it is clear that although the Council has received a Level 3 Ofsted report (which means that Warwickshire performs well and exceeds minimum requirements), it cannot be complacent about protecting children from harm and providing appropriate services for children in need. Responding to ever increasing levels of referrals will require careful judgements to be made both in terms of managing the associated increase in costs and our exposure to risk

- **Energy Costs**

  Energy costs have been continually rising. Warwickshire County Council has managed this by monitoring the impact on budgets. In addition, a funding strategy has been agreed. This is an area that will inevitably pose further challenges for the Authority in the year ahead and it will be kept under careful review.

We view each of the above priorities as major challenges for the Authority as opposed to significant governance issues.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed:		
	Jim Graham **Chief Executive**	**Cllr Alan Farnell** **Leader**
Date:	25.9.12	27.9.12