

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Explanation of prior period adjustments

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts and support services
- Credits for government grants deferred are now posted to service revenue accounts and support services rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

	Consolidated Revenue A/c in 2005/06 Statements of Accounts £'000	Removal of Capital Financing Charges £'000	Relocation of Govt. Grants Deferred Credits £'000	Other Changes £'000	2005/06 comparatives in Income & Expenditure Account £'000
Central Services to the Public	913	(68)	(2)	-	843
Cultural and Related Services	7,255	(1,210)	(4)	-	6,041
Environmental Services	5,728	(222)	(5)	-	5,501
Planning and Development Services	2,949	(101)	(3)	-	2,845
Highways, Roads and Transport Services	1,060	(320)	(2)	-	738
Housing Services	10,446	(11,275)	(4)	-	(833)
Corporate and Democratic Core	1,965	(113)	(2)	-	1,850
Non-Distributed Costs	(884)	(1)	-	-	(885)
<b>Net Cost of Services</b>	<b>29,432</b>	<b>(13,310)</b>	<b>(22)</b>	<b>-</b>	<b>16,100</b>
Gains or losses on the sale of fixed assets	-	-	-	492	492
Parish Precepts	829	-	-	-	829
Contribution to Housing Pooled Capital Receipts	953	-	-	-	953
Interest Payable	-	-	-	516	516
Interest and Investment Income	(1,493)	-	-	-	(1,493)
Pensions Interest Cost and expected return on assets	469	-	-	-	469
<b>Net Operating Expenditure</b>	<b>30,190</b>	<b>(13,310)</b>	<b>(22)</b>	<b>1,008</b>	<b>17,866</b>

## 2. s137 of the Local Government Act 1972 applied to principal authorities

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council has not made any payments under this power.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. Publicity expenditure

Per the requirements of section 5[1] of the Local Government Act 1986, the Council's spending on publicity was:

	2006/07 £'000	2005/06 £'000
Recruitment Advertising	123	131
Tourism Promotion	385	307
Industrial and Commercial Development	286	306
Other Publicity	34	30
<b>Total Publicity</b>	<b>828</b>	<b>774</b>

A wide range of costs are included in the above figures covering staff salaries, associated office equipment, running expenses, the printing of publications and the staging of exhibitions.

### 4. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Warwick District Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Section divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account 2006/07	Chargeable 2006/07 £'000	Non- Chargeable 2006/07 £'000	Total Building Control 2006/07 £'000
Expenditure	519	188	707
Income	(522)	-	(522)
<b>(Surplus) / Deficit for Year</b>	<b>(3)</b>	<b>188</b>	<b>185</b>
2005/06 Net (Income) / Expenditure	(48)	179	131

### 5. Members' Allowances

In England, the Local Authorities (Members Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members and the maximum amounts payable in respect of certain allowances.

The total value of allowances paid to this authority's members during 2006/07 were:

	2006/07 £'000	2005/06 £'000
<b>Allowances:</b>		
Basic	201	195
Special Responsibility	51	52
<b>Total Allowances</b>	<b>252</b>	<b>247</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Details of the amounts paid to individual members may be obtained from The Head of Finance, Warwick District Council, P.O. Box 2180, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire CV32 5QW.

### 6. Officers' Emoluments

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

	Number of Employees	
	Total 2006/07	Total 2005/06
£50,000 - £59,999	5	6
£60,000 - £69,999	4	3
£70,000 - £79,999	1	-
£80,000 - £89,999	-	-
£90,000 - £99,999	-	1

### 7. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured ability to limit another party's ability to bargain freely with the Council.

#### Central Government

Has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

#### Warwickshire County Council and Warwickshire Police Authority

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 19 to the Core Financial Statements.

#### Precepting Bodies

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2006/07 the total precepts issued totalled £925,317. The major preceptors were:

	£'000
Warwick Town Council	259
Royal Leamington Spa TC	253
Kenilworth Town Council	111
Whitnash Town Council	72

#### Council Members and Chief Officers

Council Members make disclosures of their pecuniary and non-pecuniary interests in the Members' Register, and also have to make declarations on individual committee agenda items. In addition to Council Members, the Chief Executive and three Strategic Directors also make annual declarations in respect of any Related Party Transactions they may have.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Council Members have direct control over the Council's financial and operating policies. Grants totalling £264,339 were paid to voluntary organisations in which thirteen members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	£'000
Age Concern Warwickshire	89
Citizens' Advice Bureau	87
Council for Voluntary Services	35
Action 21	20
Hill Close Gardens Trust	13

In addition, three councillors are on the board of South Warwickshire Tourism Limited - during 2006/07 the Council made a contribution of £230,686 (£219,216 in 2005/06) towards their activities. Also two councillors were on the board of Regenesys, which was wound down during 2006/07 - the Council incurred net expenditure of £31,784 (£117,947 in 2005/06) towards their operations.

The Council also made payments amounting to £1,290 (£34,173 in 2005/06) to the Coventry, Solihull and Warwickshire Partnership (CSWP) in respect of its contribution towards the CSWP's support costs. 1 WDC Councillor is on the CSWP board.

One councillor undertakes occasional contract work for a company that provides professional services to the Council. During 2006/07 that company undertook work to the value of £30,150.

Details of Members' Allowances and Officer Salaries are disclosed in notes 5 and 6 respectively.

### 8. Audit Costs

In 2006/07 the Council incurred the following fees relating to external audit and inspection:

	2006/07 £'000	2005/06 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	72	66
Fees payable to the Audit Commission in respect of statutory inspection	34	28
Fees payable to the Audit Commission for the certification of grant claims and returns	33	36
Fees payable in respect of other services provided by the appointed auditor	2	2
<b>TOTAL PAID</b>	<b>141</b>	<b>132</b>

The fees for other services payable in 2006/07 is in respect of a V.A.T. Helpline.

There has been a change in the treatment of Audit Fees during 2006/07. A number of years ago the Audit Commission adjusted the Audit accounting periods which had the effect of bringing the Audit Fee forward by almost a year. The Council's Auditors at the time advised carrying forward the second year's fees to the following year to avoid two years' fees in one year. This has meant that the fees in the accounts were related to the previous year. It has been decided to show the fees for the correct year and, therefore, have two year's fees in the 2006/07 accounts. The above note has been amended so that each year shows the audit fees relating to it.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 9. Summary of Capital Expenditure and Fixed Asset Disposals

### Movement on fixed assets

#### Operational assets

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, etc £'000	Infra-Structure £'000	Community Assets £'000	Total £'000
Certified Valuation at 31 March 2006	317,445	50,224	2,729	427	6,204	377,029
Accumulated Depreciation and impairment	-	-	-	-	-	-
<b>Net book value at 31 March 2006</b>	<b>317,445</b>	<b>50,224</b>	<b>2,729</b>	<b>427</b>	<b>6,204</b>	<b>377,029</b>
<b>Movement in 2006/07:</b>						
Additions	4,187	1,706	328	37	207	6,465
Disposals	(3,362)	-	-	-	-	(3,362)
Revaluations	4,398	-	-	-	-	4,398
Transfers	-	1,050	-	217	-	1,267
Depreciation	(4,135)	(1,580)	(746)	(11)	(30)	(6,502)
Impairments	-	-	-	-	-	-
<b>Net book value at 31 March 2007</b>	<b>318,533</b>	<b>51,400</b>	<b>2,311</b>	<b>670</b>	<b>6,381</b>	<b>379,295</b>

#### Non-Operational assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Certified Valuation at 31 March 2006	12,248	1,289	873	14,410
Accumulated Depreciation and impairment	-	-	-	-
<b>Net book value at 31 March 2006</b>	<b>12,248</b>	<b>1,289</b>	<b>873</b>	<b>14,410</b>
<b>Movement in 2006/07:</b>				
Additions	-	12	-	12
Disposals	(393)	-	(104)	(497)
Revaluations	-	-	-	-
Transfers	-	(1,267)	-	(1,267)
Depreciation	(36)	-	(26)	(62)
Impairments	-	-	-	-
<b>Net book value at 31 March 2007</b>	<b>11,819</b>	<b>34</b>	<b>743</b>	<b>12,596</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Capital Expenditure and Financing

	2006/07 £'000	2005/06 £'000
<b>Opening Capital Financing Requirement</b>	(1,697)	(1,697)
<b>Capital Investment:</b>		
Operational Assets	5,964	7,477
Non-Operational Assets	12	-
Intangible Assets / Deferred Charges	2,266	3,550
<b>Sources of Finance:</b>		
Capital Receipts	(1,651)	(3,304)
Government grants and other contributions	(1,639)	(333)
Sums set aside from revenue	(4,952)	(7,390)
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<b>Closing Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>
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Capital expenditure during the year amounted to £8.242m. It should be noted that capital expenditure does not necessarily increase the capital value of assets. For example, the majority of expenditure that results in Intangible Assets / Deferred Charges (£2.266m in 2006/07) is written off in the year that it arises since there is no physical asset created (e.g. Environmental Health Improvement Grants) which is owned by the Council.

The main items of capital expenditure in 2006/07 were:

	£'000
<b>General Fund Capital Programme:</b>	
e-government and ICT Strategy	893
St. Mary's Lands Development	540
Conservation and Environmental Improvements	508
Leisure Developments	223
Cultural Quarter	183
Traffic Schemes including Car Parks	164
<b>Housing Investment Programme:</b>	
Housing Associations - Grants re new Dwellings / Improvements	899
Housing Improvements - Improvements / Renewals	4,185
- Renovation Grants	268
- Equipment / Software	131

### Significant capital expenditure projects in 2007/08 include:

<b>General Fund:</b>	
Car Park Refurbishments / Enhancements	2,791
Regeneration - Leamington Old Town	1,945
Implementing e-government / New I.T. Systems	1,653
Office Alterations	542
Leisure Developments	440
Conservation and Environmental Development	437
St. Mary's Lands Development	325
Regeneration - Rural Initiatives	280
Flood Alleviation Schemes	240
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	5,447
Housing Associations - Grants re New Dwellings / Improvements	1,795
Renovation Grants and Disabled Facilities Grants	867
Equipment	322

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Significant contracts outstanding from 2006/07 (included in 2007/08 figures)

	£'000
<b>General Fund Capital Programme:</b>	
Regeneration - Leamington Old Town	1,228
Other e-Government and ICT Strategy Projects	640
Traffic Schemes including Car Parks	328
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	822
Housing Association Schemes	220
Equipment / Software	196

### 10. Statement of Physical Assets

The Council maintained the following assets at 31 March 2007:

	Nos.		Nos.
Council Dwellings (H.R.A. and Others)	5,825	Cemeteries	4
Council Garages (H.R.A. and Others)	2,064	Crematorium	1
Town Hall	1	Parks and Open Spaces (acres)	1,070
Offices	3	Athletics Track	1
Depot	1	Golf Course	1
Multi-Storey Car Parks	3	Golf Shop	1
Surface Car Parks	20	Bowling Greens: Victoria Park	1
Theatre / Entertainment Suites	2	Public Conveniences	10
Recreation Centres	3	Vehicles	4
Leisure Centres	2	Catering Premises	7
Swimming Pools	1	Shops and Other Properties (2 leased)	116
Community Centre	1	Temperate House, Jephson Gardens	1
Museum and Art Gallery	1	All Weather Pitch	1
Sports Pavilions	2		

### 11. Assets held under Finance Leases

	Original Book Value £'000	Accumulated Depreciation to 31 March 2006 £'000	Gross Book Value 31 March 2006 £'000	Additions / Depreciation 2006/07 £'000	Gross Book Value 31 March 2007 £'000
Other Land & Buildings	1,371	940	431	(2)	429

The leased properties are Talisman Square Car Park and the United Reform Church. The principal element of the annual rents paid during 2006/07 was £17,660. Amounts payable on these properties in future years are as shown below:

2007/08	£7,918
Between 2008/09 and 2012/13	£24,848
After 2012/13	£400,421

### 12. Fixed Asset Valuations

The values of the Council Dwellings in note 9 above are based on valuations at 1st April 2006. The revaluations were undertaken externally by Mr. B. Franklin MRICS for the District Valuer.

The values of the General Fund fixed assets are based on valuations at 1st April 2004. The revaluations were undertaken externally by Mr. I. Wilson MRICS for the District Valuer.

## NOTES TO THE CORE FINANCIAL STATEMENTS

In both of the above cases, where appropriate, the valuations have been increased since the valuation dates by expenditure on the assets, which serves as a proxy for current cost increases until the next valuations are due to take place. For all other assets the Council is not aware of any material changes in value and, therefore, the valuations have not been updated.

Operational Fixed Assets, excluding Community Assets, are valued at open market value or depreciated replacement cost. Community Assets and Infrastructure Assets are valued at historical cost.

Non-Operational Fixed Assets are valued at open market value.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, etc. £'000	Total £'000
Valued at historical cost	4,187	10,172	2,311	16,670
Valued at current value in:				
- 2006/07	314,096	-	-	314,096
- 2004/05	250	60,151	-	60,401
- 1999/00	-	295	-	295
<b>Total</b>	<b>318,533</b>	<b>70,618</b>	<b>2,311</b>	<b>391,462</b>

The above figures exclude leased assets valued at £429,262 (see note 11).

### 13. Intangible Assets

	Balance at 1 April 2006 £'000	Expenditure £'000	Amount Repaid £'000	Balance at 31 March 2007 £'000
General Fund:				
- Improvement Grants	-	296	(296)	-
- Purchased Software inc Licences	307	198	(256)	249
- Other General Fund	-	1,750	(1,750)	-
Housing Revenue Account:				
- Other Housing Revenue Account	-	23	(23)	-
<b>Total</b>	<b>307</b>	<b>2,267</b>	<b>(2,325)</b>	<b>249</b>

During the year software was purchased for the Warwickshire Direct Partnership (WDP) project. The cost of this software has been amortised on a straight line basis over the period for which the Council will derive economic benefit:

WDP Joint Contact Centre Software: 8 years – Amount amortised to revenue £3,713

WDP Access Channels: 5 years – Amount amortised to revenue £1,183

It should be noted that Loan Premiums / Discounts are no longer treated as Intangible Assets and have been removed from this analysis when compared to the 2005/06 analysis included in the Statement of Accounts 2005/06.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Analysis of Net Assets Employed

	31 March 2007 £m	31 March 2006 £m
General Fund	70	68
Housing Revenue Account	330	327
	<hr/>	<hr/>
<b>Total</b>	<b>400</b>	<b>395</b>
	<hr/> <hr/>	<hr/> <hr/>

### 15. Investments - Related Businesses and Companies

The Council has an interest in the following companies:

#### South Warwickshire Tourism Limited

The principal activity of the company is to develop and promote tourism in South Warwickshire. The company was set-up by Warwick District Council, Stratford-on-Avon District Council and various tourism related businesses within the area. During 2006/07 Warwick District Council's contribution was £230,686 (£219,216 in 2005/06). Annual turnover of the company is £1.12m (£1.1m in 2005/06). The company has 405 members at 31 March 2007 (437 at 31 March 2006) each guaranteeing an amount not exceeding £1 (Warwick District Council holds 0.25% of the total share holding). There are 13 directors on the company's board of which 3 are Warwick District Council members.

The financial performance of the company is as follows:

	2006/07 £	2005/06 £
Net Assets at 31 March	<b>81,171</b>	100,691
Profit / (Loss) before tax	<b>(19,520)</b>	(24,722)
Profit / (Loss) after tax	<b>(19,520)</b>	(19,852)

A copy of the audited accounts can be obtained from South Warwickshire Tourism Limited, E12 Holly Court, Holly Farm Business Park, Honiley, Kenilworth, Warwickshire, CV8 1NP.

#### Regenesi s - The Leamington Old Town Community Partnership

The company was incorporated on 18 May 2000 and commenced trading on that date and became a registered charitable company during 2001/02. The principal activity of the company is the regeneration of Leamington Old Town. The company was set-up by Warwick District Council and other various statutory and voluntary bodies. Funding is from the Single Regeneration Budget, Round 5 (SRB5) for which Warwick District Council acts as the accountable body. During 2006/07 the Council incurred net expenditure of £31,784 (£117,947 in 2005/06) in respect of the operations of Regenesi s. Annual turnover of the company is £441,924 (£1,172,560 in 2005/06). The company is limited by guarantee of an amount not exceeding £1 per member. There were 12 members on the company's board during 2006/07 of which 2 are Warwick District Council members (Warwick District Council holds 16.7% of the total share holding).

At the time of publication Regenesi s' accounts had not been audited. The financial performance of the company (draft figures in respect of 2006/07) is as follows:

	2006/07 £	2005/06 £
Net Assets at 31 March	<b>1,243,583</b>	1,129,597
Net movement in funds before tax	<b>113,986</b>	(49,345)
Net movement in funds after tax	<b>113,986</b>	(49,345)

Once audited, a copy of the accounts can be obtained from Regenesi s, 4 - 6 Clemens Street, Leamington Spa, CV31 2DP.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. Insurance Provisions

Provisions include insurance cover in respect of outstanding claims from the public. The extent of the provisions relates to the excesses on existing claims as at 31 March 2007 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £467,075. A separate Provision is maintained for the General Fund (£337,432) and the Housing Revenue Account (£129,643).

Movements on the provisions during the year as follows:

	Balance at 1 April 2006 £'000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 March 2007 £'000
General Fund:				
- Insurance Provision	357	5	(25)	337
Housing Revenue Account:				
- Insurance Provision	186	1	(57)	130
<b>TOTAL</b>	<u>543</u>	<u>6</u>	<u>(82)</u>	<u>467</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 17. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance 1 April 2006 £'000	Net Movement in Year £'000	Balance 31 March 2007 £'000	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	306,205	1,036	307,241	Store of gains on revaluation of fixed assets	(a) below
Capital Financing Account	84,318	(615)	83,703	Store of capital resources set aside to meet past expenditure	(b) below
Usable Capital Receipts	6,449	(243)	6,206	Proceeds of fixed asset sales available to meet future capital investment	(c) below
Deferred Credits	121	(18)	103	Principal repayments from Council House mortgages to be received	
Major Repairs Reserve	3,108	53	3,161	Resources available to meet capital investment in council housing	MRR Statement, page 46
Earmarked Reserves	10,916	800	11,716	Resources set aside to meet future capital expenditure and for specific revenue schemes	(d) below
General Fund	1,100	-	1,100	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 14
Collection Fund Balance	(71)	41	(30)	Element of Collection Fund Surplus / (Deficit) attributable to WDC	See Collection Fund Note 5, page 49
Pensions Reserve	(19,940)	2,826	(17,114)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 19 to the Core Financial Statements, page 32
Housing Revenue Account	2,472	1,576	4,048	Resources available to meet future running costs for council houses	HRA Statements, page 39
<b>Total</b>	<b>394,678</b>	<b>5,456</b>	<b>400,134</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (a) Fixed Asset Restatement Account:

	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Useable Capital Receipts £'000	Total Capital Accounts £'000
<b>Balance 1 April 2006</b>	<b>306,205</b>	<b>84,318</b>	<b>6,449</b>	<b>396,972</b>
Unrealised gains on revaluation of fixed assets	3,938	-	-	3,938
Net cost / (surplus) of disposal of fixed assets	(2,902)	-	3,021	119
Amounts payable to Housing Capital Receipts Pool	-	-	(1,613)	(1,613)
Financing of fixed assets	-	(615)	(1,651)	(2,266)
<b>Balance 31 March 2007</b>	<b>307,241</b>	<b>83,703</b>	<b>6,206</b>	<b>397,150</b>

Housing Revenue Account amounts included in the above totals, where appropriate:

<b>Balance 1 April 2006</b>	<b>267,386</b>	<b>-</b>	<b>1,900</b>	<b>269,286</b>
Unrealised losses on revaluation of fixed assets	(460)	-	-	(460)
Net cost / (surplus) of disposal of fixed assets	(2,902)	-	2,999	97
Amounts payable to Housing Capital Receipts Pool	-	-	(1,613)	(1,613)
Financing of fixed assets	-	-	(333)	(333)
<b>Balance 31 March 2007</b>	<b>264,024</b>	<b>-</b>	<b>2,953</b>	<b>266,977</b>

### (b) Capital Financing Account

	£'000	£'000
<b>Balance brought forward 1 April 2006</b>		<b>84,318</b>
Credits to the Reserve:		
- Government Grants Deferred written out	45	
- Capital Expenditure financed from Capital Receipts	1,651	
- Capital Expenditure financed from Revenue and Reserves	6,591	8,287
		<u>92,605</u>
Debits to the Reserve:		
- Intangible Assets written out	(2,159)	
- Other Partners' Share of WDP 2006/07 expenditure written out	(175)	
- Housing Advances principal repaid	(3)	
- Minimum Revenue Provision (M.R.P.) - net of depreciation	(6,565)	(8,902)
<b>BALANCE CARRIED FORWARD 31 MARCH 2007</b>		<b>83,703</b>

### (c) Usable Capital Receipts

	£'000	£'000
<b>Balance brought forward 1 April 2006</b>		<b>6,449</b>
Useable Capital Receipts Received		
- General Fund	22	
- Housing Revenue Account	2,999	3,021
		<u>9,470</u>
Amount payable to Housing Capital Receipts Pool		(1,613)
Capital Expenditure financed in year		
- General Fund	(1,318)	
- Housing Revenue Account	(333)	(1,651)
<b>BALANCE CARRIED FORWARD 31 MARCH 2007</b>		<b>6,206</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## (d) Earmarked Reserves

	Balance 1 April 2006 £'000	Net Surplus / Deficit (-) for Year £'000	Balance 31 March 2007 £'000
<b><u>GENERAL FUND</u></b>			
<b>Capital Reserves</b>			
Car Parks Commuted Sums	236	(98)	138
Capital Investment	1,924	230	2,154
I.T. and New Equipment	56	(56)	-
G.F. External Contributions	574	(50)	524
RSL S106 External Contributions	706	(544)	162
WOLP External Contributions	189	(176)	13
<b>Specific Revenue Reserves</b>			
Grounds Maintenance Commuted Sums	725	(46)	679
Corporate Property	241	(12)	229
Insurance	340	94	434
Election Expenses	49	21	70
Art Fund	30	7	37
Energy Management	35	(3)	32
Best Value	107	(3)	104
Assembly Rooms Repairs and Renewals	8	3	11
Art Gallery Gift	56	-	56
Planning Appeals	417	(83)	334
Early Retirement	243	187	430
Collection Fund Reserve	32	(32)	-
Building Control	55	7	62
Repairs and Renewals	-	918	918
Gym Equipment	-	30	30
Earmarked Revenue Expenditure slipped from 2005/6 to 2006/07	602	(602)	-
Earmarked Revenue Expenditure slipped from 2006/07 to 2007/08	-	997	997
<b>TOTAL GENERAL FUND</b>	<b>6,625</b>	<b>789</b>	<b>7,414</b>
<b>HOUSING REVENUE ACCOUNT</b>			
<b>Housing Repairs Reserves</b>			
Housing Repairs Account	4,247	27	4,274
<b>Specific Revenue Reserves</b>			
Housing Early Retirement	44	(16)	28
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>4,291</b>	<b>11</b>	<b>4,302</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>10,916</b>	<b>800</b>	<b>11,716</b>

### 18. Authorisation of Accounts for issue

The Accounts were authorised for issue on 25 June 2007.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 19. Retirement Benefits

### Participation in Pension Schemes

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 the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Warwickshire County Council. This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

### Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2006/07 £'000	2005/06 £'000
<b>Income and Expenditure Account</b>		
Net Cost of Services:		
- current service cost	2,090	1,820
- change in Scheme benefits	-	(1,262)
- past service costs	109	33
- loss on curtailment	158	22
Net Operating Expenditure:		
- interest cost	4,096	3,930
- expected return on assets in the scheme	(3,958)	(3,461)
<b>Net Charge to the Income and Expenditure Account</b>	<b>2,495</b>	<b>1,082</b>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in Accordance with FRS17	(2,495)	(1,082)
<b>Effect on Council Tax</b>	<b>-</b>	<b>-</b>
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable to scheme	1,712	1,371

### Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2007 £'000	31 March 2006 £'000
Estimated liabilities in scheme	(83,940)	(83,458)
Estimated assets in scheme	66,826	63,518
<b>Net asset / (liability)</b>	<b>(17,114)</b>	<b>(19,940)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £17.114m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy - the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Warwickshire County Council Fund liabilities have been assessed by William M. Mercer, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2004.

The main assumptions in their calculations have been:

	2006/07	2005/06
Rate of inflation	3.1%	2.9%
Rate of increase in salaries	4.9%	4.7%
Rate of increase in pensions	3.1%	2.9%
Rate for discounting scheme liabilities	5.4%	4.9%
Take-up option to convert annual pension into retirement grant	50.0%	50.0%

Assets in the Warwickshire County Council Pension Fund are valued at fair value, principally market value for investments. The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Expected Return	31 March 2007 £'000		31 March 2006 £'000	
Equities	7.50%	52,926	79.2%	49,227	77.5%
Government Bonds	4.70%	8,086	12.1%	8,003	12.6%
Other Bonds	5.40%	5,346	8.0%	5,653	8.9%
Property	6.50%	-	0.0%	-	0.0%
Cash / Liquidity	5.25%	468	0.7%	635	1.0%
Other assets	n/a	-	0.0%	-	0.0%
		<b>66,826</b>	<b>100.0%</b>	<b>63,518</b>	<b>100.0%</b>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	(15,360)	38.0%	7,423	14.9%	1,312	2.5%	8,776	13.8%	(523)	0.8%
Differences between actuarial assumptions about liabilities and actual experience			-	0.0%	(979)	1.3%	(1,708)	2.0%	-	
Changes in demographic and financial assumptions used to estimate liabilities			-	0.0%	(12,086)	16.6%	(6,421)	7.7%	4,132	4.9%
	<u>(15,360)</u>		<u>7,423</u>		<u>(11,753)</u>		<u>647</u>		<u>3,609</u>	

### Pension Fund Valuation

The triennial actuarial valuation, which is required by law, 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 determines the amount employers will be required to contribute. The fund aims to set employers' contributions rates so that the projected assets equal at least 100% of the projected liabilities.

At the last valuation (31 March 2004) the actuary concluded that the funding level had fallen to 82% from its previous level of 102%. A plan has been put in place to increase the employer's contribution rate over a period of 6 years commencing 2005/06 in order to restore the funding level to 100%.

There is an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets as per the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2006 and has estimated the return on assets for January to March 2007.

### 20. Operating Leases

The Council uses photocopiers, printers and telephone equipment financed under terms of operating leases. The amount paid under these arrangements during 2006/07 was £43,700 (2005/06 £40,800).

The Council was committed at 31 March 2007 to making payments of £43,800 under operating leases in 2007/08, comprising the following elements:

Leases expiring in 2007/08	£6,900
Leases expiring between 2008/09 and 2012/13	£36,300
Leases expiring after 2012/13	£600

### 21. Contingent Liability

From April 2006 the Transport Act 2000 requires the Council to provide a Concessionary Fares Scheme offering free travel on registered bus services within its district to eligible groups of residents. All of the districts councils within the county have got together with Warwickshire County Council to extend the scheme to provide a countywide free travel scheme. A private company, MCL, have been employed to undertake the administration of the scheme. As part of a national move, one of the major operators, Stagecoach, appealed to the Secretary of State in respect of the reimbursement levels it was receiving. The appeal was upheld by the Secretary of State and, as a result, the level of reimbursement will need to be reassessed based on actual data. MCL are calculating what adjustments, if any, are required.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. Reconciliation of net surplus/deficit on the Income and Expenditure Account to the revenue activities net cash flow in the Cash Flow Statement

2005/06 £'000		2006/07 £'000	£'000
100	General Fund Surplus		-
1,270	Housing Revenue Account Surplus		1,576
39	Collection Fund Surplus / (Deficit)		41
	<b>Add non-cash transactions:</b>		
-	M.R.P	-	
1,057	Direct financing of capital expenditure	4,892	
40	Contributions to / (from) earmarked reserves	853	5,745
2,506			7,362
	<b>Add Accruals basis items:</b>		
(146)	Increase / (decrease) in provisions	(76)	
(1,385)	Increase / (decrease) in revenue creditors	3,571	
(1,620)	(Increase) / decrease in debtors	1,394	
(1)	(Increase) / decrease in stocks and work in progress	(2)	4,887
(646)			12,249
	<b>Add Financing items shown in the Cash Flow Statement:</b>		
2	Interest Payable	1	
34	Interest element of finance lease rental payments	36	
(1,486)	Interest Receivable	(1,512)	(1,475)
(2,096)			10,774

### 23. Reconciliation of items under the Financing and Management of Liquid Resources sections of the Cash Flow Statement to the opening and closing Balance Sheets

1/4/05 £'000	31/3/06 £'000	Change £'000		1/4/06 £'000	31/3/07 £'000	Change £'000
			<b>Liquid Resources</b>			
-	-	-	Short Term Deposits	-	-	-
17,953	13,075	(4,878)	Other Liquid Assets	13,075	14,192	1,117
17,953	13,075	(4,878)		13,075	14,192	1,117
			<b>Non-Liquid Resources</b>			
2,000	5,351	3,351	Fixed Term deposits, etc.	5,351	10,000	4,649
19,953	18,426	(1,527)	<b>Short Term Investments</b>	18,426	24,192	5,766

### 24. Liquid Resources

Liquid Resources are defined as "current asset investments held as readily disposable stores of value i.e. disposable without curtailing or disrupting an authority's activities, and either readily convertible into known amounts of cash at or close to its carrying amount, or traded in an active market."

Using the above definition the item shown in the Balance Sheet as "Short Term Investments" has been analysed to identify cash deposited at periods from Call to 7-day notice and to investments in Certificates of Deposits and Gilts managed by the Council's external investment brokers (INVESCO). Note 22 provides the necessary reconciliation between the Cash Flow Statement and the Income and Expenditure Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 25. Analysis of Government Grants in the Cash Flow Statement

2005/06 £'000		2006/07 £'000
0	Local authority Business Growth Incentive	1,020
718	Housing Benefit Administration	891
185	Planning Delivery	245
218	Contribution towards Non-Domestic Rate collection	216
152	Disabled Facilities	111
0	Safer and Stronger Communities	107
0	Waste Performance Efficiency	58
0	Local Public Service Agreement	50
0	Elections	14
0	Smokefree Legislation	12
17	Implementation of Homelessness Act 2002	12
574	SRB	0
393	Implementing e-government	0
122	Communities Against Drugs	0
82	Safer Communities	0
61	Warwickshire On-Line Partnership	0
19	Recycling	0
<u>2,541</u>	<b>Total Government Grants</b>	<u>2,736</u>

### 26. Reconciliation of net cash flow to the Movement in Net Debt

	£'000
<b>Increase / (decrease) in cash in the period</b>	<b>1,611</b>
Cash inflow from new debt	0
Cash outflow from debt repaid and finance lease capital payments	18
<b>Change in net debt resulting from cash flows</b>	<b>1,629</b>
Non-cash changes in debt	(16)
Net Debt at 1 April 2006	(1,967)
<b>Net Debt at 31 March 2007</b>	<b>(354)</b>

### 27. Analysis in the Movement in Net Debt

	1 April 2006 £'000	Cash Flows £'000	Non-Cash Flows £'000	31 March 2007 £'000
Cash at bank	-	-	-	-
Bank Overdraft	(1,536)	1,611	-	75
Debt Due within 1 year	-	-	-	-
Debt Due after 1 year	-	-	-	-
Finance Leases	(431)	18	(16)	(429)
<b>Total</b>	<u>(1,967)</u>	<u>1,629</u>	<u>(16)</u>	<u>(354)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 28. Note of Reconciling items for the Statement of Movement on the General Fund Balance

2005/06 £'000		2006/07 £'000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
-	Amortisation of intangible fixed assets	-
(2,731)	Depreciation and impairment of fixed assets	(3,129)
83	Government Grants Deferred amortisation	45
(2,242)	Write-downs of deferred charges to be financed from capital resources	(1,291)
(492)	Net loss on sale of fixed assets	(460)
(1,082)	Net charges made for retirement benefits in accordance with FRS 17	(2,495)
<u>(6,464)</u>		<u>(7,330)</u>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
-	Minimum revenue provision for capital financing	-
1,057	Capital expenditure charged in-year to the General Fund Balance	1,822
(953)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,613)
1,371	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,712
<u>1,475</u>		<u>1,921</u>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
1,270	Housing Revenue Account Balance	1,576
-	Voluntary Revenue provision for capital financing	-
876	Net transfer to or from earmarked reserves	1,109
<u>2,146</u>		<u>2,685</u>
<u>(2,843)</u>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<u>(2,724)</u>

### 29. Post Balance Sheet Events

There are no post balance sheet events to report.