

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. 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.

### 2. Publicity expenditure

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

	2007/08 £'000	2006/07 £'000
Recruitment Advertising	172	123
Tourism Promotion	340	385
Other Advertising	216	174
Other Publicity	106	58
<b>Total Publicity</b>	<b>834</b>	<b>740</b>

Following a national investigation by the TaxPayers Alliance the opportunity has been taken to review which costs should be included here. As a consequence the 2006/07 figures have been restated.

### 3. 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	Chargeable 2007/08 £'000	Non- Chargeable 2007/08 £'000	Total Building Control 2007/08 £'000
Expenditure	503	163	666
Income	(494)	-	(494)
<b>(Surplus) / Deficit for Year</b>	<b>9</b>	<b>163</b>	<b>172</b>
2006/07 Net (Income) / Expenditure	(3)	188	185

### 4. Agency Income and Expenditure

In August 2007 the Decriminalisation of Parking Enforcement was introduced within the Council's area. This moved parking enforcement from Warwickshire Police Authority to Warwickshire County Council and saw the introduction of on-street parking charges. As district councils are already responsible for off-street parking arrangements it is considered good practice for them to administer on-street parking as agents for county councils. Any surpluses generated should be ring fenced for highway purposes.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The County Council reimburses the Council for direct costs of the service, an agreed proportion of the shared costs and a contribution towards the administrative costs. The net income generated is paid to the County Council.

A summary of income and expenditure in respect of the activity, which is not included in the Income and expenditure Account, is as follows:

	2007/08 £'000	2006/07 £'000
Direct Costs	235	-
Proportion of Shared Costs	426	-
Administrative Costs	81	-
Income	(1,267)	-
<b>Net Income paid to Warwickshire County Council</b>	<b>(525)</b>	<b>-</b>

### 5. Local Authorities (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provided grounds maintenance to Warwickshire County Council's highways in respect of their grass verges, shrubs, hedges and trees. Income from these services amounted to £142,689 in 2007/08 (2006/07 £137,220) and the related expenditure was £140,483 (2006/07 £133,529).

### 6. Local Area Agreements

Warwick District Council is a participant in a Local Area Agreement - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, we have completed the first year of our agreement which was signed on 29 March 2007.

The purpose of the Local Area Agreement is:

- To form an agreement between Warwickshire Local Strategic Partnership, Government (represented by the Government Office of the West Midlands), and other external agencies, to ensure that together we achieve local sustainable community strategies.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Warwickshire by pooling and aligning funding streams.

The Local Area Agreement partners are:

- Local government bodies – North Warwickshire Borough Council, Nuneaton & Bedworth Borough Council, Rugby Borough Council, Stratford on Avon District Council and Warwick District Council, Warwickshire County Council
- Community Protection authorities – Warwickshire Police Authority, Warwickshire Probation Service
- Health bodies – NHS Warwickshire
- Learning bodies – The Warwickshire Further Education Colleges, Coventry & Warwickshire Learning & Skills Council, Connexions
- Voluntary organisations – The five district based Councils for Voluntary Services, Coventry & Warwickshire Chamber of Commerce, Coventry Diocese, Warwickshire Rural Community Council,

## NOTES TO THE CORE FINANCIAL STATEMENTS

Greater Warwickshire Sports Partnership, Warwickshire Race Equality Partnership, Coventry and Warwickshire Infrastructure Consortium

- Non-Statutory Organisations - The five district based Local Strategic, Partnerships Warwickshire Association of Local Councils, Coventry Solihull and Warwickshire Partnership

Warwickshire County Council acts as the accountable body for the Local Area Agreement. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but do not determine which bodies are due payments – this is determined by either the Government Office or the partnership.

The full amount of Local Area Agreement Grant received by the Local Strategic Partnership in 2007/08 is £9.321 million. Warwick District Council received an allocation of £122,543.01 of this total to fund our own services. Under current guidance only our allocation of £122,543.01 will be recognised as income and accounted for on an accruals basis.

### 7. 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 2007/08 were:

	2007/08 £'000	2006/07 £'000
<b>Allowances:</b>		
Basic	206	201
Special Responsibility	52	51
<b>Total Allowances</b>	<u>258</u>	<u>252</u>

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.

### 8. Officers' Emoluments

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

	Total 2007/08	Number of Employees Left in Year	Total 2006/07
£50,000 - £59,999	4	-	5
£60,000 - £69,999	5	-	4
£70,000 - £79,999	1	-	1
£80,000 - £89,999	-	-	-
£90,000 - £99,999	-	-	-
£100,000 - £109,999	-	-	-
£110,000 - £119,999	1	-	-
£120,000 - £129,999	-	1	-

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 9. 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 24 to the Core Financial Statements.

### Precepting Bodies

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2007/08 the total precepts issued totalled £978,631. The major preceptors were:

	£'000
Warwick Town Council	270
Royal Leamington Spa TC	266
Kenilworth Town Council	117
Whitnash Town Council	76

### 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.

Council Members have direct control over the Council's financial and operating policies. Grants totalling £202,875 were paid to voluntary organisations in which fourteen 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
Citizens' Advice Bureau	94
Hill Close Gardens Trust	25
Warwickshire Race Equality Partnership	24
Warwick District Mobility Ltd	15
Action 21	13
Warwickshire Energy Efficiency Advice Centre	13

In addition, three councillors are on the board of South Warwickshire Tourism Limited - during 2007/08 the Council made a contribution of £236,681 (£230,686 in 2006/07) towards their activities.

The Council also made payments amounting to £235 (£1,290 in 2006/07) 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.

Details of Members' Allowances and Officer Salaries are disclosed in notes 7 and 8 respectively.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 10. Audit Costs

In 2007/08 the Council incurred the following fees relating to external audit and inspection:

	2007/08 £'000	2006/07 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	76	72
Fees payable to the Audit Commission in respect of statutory inspection	33	34
Fees payable to the Audit Commission for the certification of grant claims and returns	40	33
Fees payable in respect of other services provided by the appointed auditor	2	2
<b>TOTAL PAID</b>	<b>151</b>	<b>141</b>

The fees for other services payable in 2007/08 is in respect of the National Fraud Initiative.

### 11. Operating Leases

The Council uses photocopiers, printers and telephone equipment financed under terms of operating leases. The amount paid under these arrangements during 2007/08 was £44,253 (2006/07 £43,700).

The Council was committed at 31 March 2008 to making payments of £37,675 under operating leases in 2008/09, comprising the following elements:

Leases expiring in 2008/09	£297
Leases expiring between 2009/10 and 2013/14	£36,802
Leases expiring after 2013/14	£576

### 12. Contingent Liabilities

There has been a long running discussion between the Council and Warwickshire County Council in respect of the amount of the Land Charges fees collected that are due to the County Council for the elements of the search enquiries that they complete. The County Council is claiming an additional amount for past years' work up to a maximum of £107,000. It has been agreed by both parties that an independent person of some legal standing be appointed to arbitrate on the matter.

The Council previously leased offices in Leamington. Upon termination of the lease there is a dispute about the level of dilapidations required. The Council has put £35,000 aside in what it considers to be a fair settlement. However, the landlord is claiming £92,000. Negotiations are ongoing.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2006/07 £'000		2007/08 £'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	-
(2,389)	Depreciation and impairment of fixed assets	(3,313)
(740)	Excess of depreciation charged HRA Services over the Major Repairs Allowance element of Housing Subsidy	(1,021)
45	Government Grants Deferred amortisation	310
(1,291)	Write-downs of deferred charges to be financed from capital resources	(2,035)
(460)	Net surplus / (loss) on sale of fixed assets	2,631
-	Deferred premiums on the early repayment of debt transferred from General Fund Balance to Financial Instruments	(2,084)
-	Difference between stat debit/credit and amount recognised as income and expenditure in respect of financial instruments	398
(2,495)	Net charges made for retirement benefits in accordance with FRS 17	(2,679)
<u>(7,330)</u>		<u>(7,793)</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	-
1,822	Capital expenditure charged in-year to the General Fund Balance	2,148
(1,613)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,640)
1,712	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	1,616
<u>1,921</u>		<u>2,124</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>	
1,576	Housing Revenue Account Balance	2,086
-	Voluntary Revenue provision for capital financing	-
1,109	Net transfer to or from earmarked reserves	(956)
<u>2,685</u>		<u>1,130</u>
<u>(2,724)</u>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<u>(4,539)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 14. Intangible Assets

	Balance at 1 April 2007 £'000	Expenditure £'000	Amount Repaid £'000	Balance at 31 March 2008 £'000
General Fund:				
- Purchased Software inc Licences	249	430	(437)	242
Housing Revenue Account:				
- Purchased Software inc Licences	-	57	(57)	-
<b>Total</b>	<b>249</b>	<b>487</b>	<b>(494)</b>	<b>242</b>

During the year software was purchased as shown below. 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: 5 years – Amount amortised to revenue £700  
 Microsoft Office upgrades: 3 years – Amount amortised to revenue £17,040  
 e-Consultation software: 10 years – Amount amortised to revenue £1,200

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 15. 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 2007	318,533	51,400	2,311	670	6,381	379,295
Accumulated Depreciation and impairment	-	-	-	-	-	-
<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>
<b>Movement in 2007/08:</b>						
Additions	3,730	1,033	2,291	211	29	7,294
Disposals	(2,348)	-	-	-	-	(2,348)
Revaluations	21,588	134	-	-	-	21,722
Transfers	-	1,139	-	-	28	1,167
Depreciation	(4,461)	(1,683)	(581)	(18)	(30)	(6,773)
Impairments	(76)	(886)	-	-	-	(962)
<b>Net book value at 31 March 2008</b>	<b>336,966</b>	<b>51,137</b>	<b>4,021</b>	<b>863</b>	<b>6,408</b>	<b>399,395</b>

#### Non-Operational assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Certified Valuation at 31 March 2007	11,819	34	743	12,596
Accumulated Depreciation and impairment	-	-	-	-
<b>Net book value at 31 March 2007</b>	<b>11,819</b>	<b>34</b>	<b>743</b>	<b>12,596</b>
<b>Movement in 2007/08:</b>				
Additions	-	150	186	336
Disposals	(500)	-	(186)	(686)
Revaluations	344	-	-	344
Transfers	(1,160)	(17)	5	(1,172)
Depreciation	(3)	-	(26)	(29)
Impairments	(77)	-	(71)	(148)
<b>Net book value at 31 March 2008</b>	<b>10,423</b>	<b>167</b>	<b>651</b>	<b>11,241</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Expenditure and Financing	2007/08 £'000	2006/07 £'000
<b>Opening Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>
<b>Capital Investment:</b>		
Operational Assets	7,295	5,964
Non-Operational Assets	150	12
Intangible Assets / Deferred Charges	2,026	2,266
<b>Sources of Finance:</b>		
Capital Receipts	(3,955)	(1,651)
Government grants and other contributions	(1,260)	(1,639)
Sums set aside from revenue	(4,256)	(4,952)
<b>Closing Capital Financing Requirement</b>	<b>(1,697)</b>	<b>(1,697)</b>

Capital expenditure during the year amounted to £9.47m. 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 (£2.026m in 2007/08) 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 2007/08 were:

	£'000
<b>General Fund Capital Programme:</b>	
Refuse / Recycling	1,211
e-government and ICT Strategy	1,158
Corporate Properties	380
Car Park Refurbishments / Enhancements	350
Purchase of Oakley Woods	330
Environmental Works	204
<b>Housing Investment Programme:</b>	
Housing Associations - Grants re new Dwellings / Improvements	600
Housing Improvements - Improvements / Renewals	3,507
- Renovation Grants	380
- Equipment / Software	257
- Purchase of Property	218

### Significant capital expenditure projects in 2008/09 include:

<b>General Fund:</b>	
Regeneration - Leamington Old Town	1,804
Implementing e-government / New I.T. Systems	1,172
Leisure Developments	646
Conservation and Environmental Development	508
Office Alterations	287
Car Park Refurbishments / Enhancements	260
Regeneration - Rural Initiatives	250
Flood Alleviation Schemes	224
St. Mary's Lands Development	207
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	5,898
Renovation Grants and Disabled Facilities Grants	1,063
Housing Associations - Grants re New Dwellings / Improvements	800
Equipment	199

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Significant contracts outstanding from 2007/08 (included in 2008/09 figures)

	£'000
<b>General Fund Capital Programme:</b>	
Regeneration - Leamington Old Town	1,804
Other e-Government and ICT Strategy Projects	624
Conservation and Environmental Development	408
Office Alterations	287
Flood Alleviation Schemes	224
<b>Housing Investment Programme:</b>	
Council House Improvements / Renewals	1,149
Housing Association Schemes	400
Renovation Grants and Disabled Facilities Grants	273

### 16. Statement of Physical Assets

The Council maintained the following assets at 31 March 2008:

	Nos.		Nos.
Council Dwellings (H.R.A. and Others)	5,803	Cemeteries	4
Council Garages (H.R.A. and Others)	2,063	Crematorium	1
Town Hall	1	Parks and Open Spaces (acres)	1,187
Offices	3	Athletics Track	1
Depot	1	Golf Course	1
Multi-Storey Car Parks	3	Golf Shop	1
Surface Car Parks	20	Bowling Greens	6
Theatre / Entertainment Suites	2	Public Conveniences	8
Recreation Centres	3	Vehicles	5
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		

### 17. Assets held under Finance Leases

	Original Book Value £'000	Accumulated Depreciation to 31 March 2007 £'000	Gross Book Value 31 March 2007 £'000	Additions / Depreciation 2007/08 £'000	Gross Book Value 31 March 2008 £'000
Other Land & Buildings	1,371	942	429	(8)	421

Leased properties during 2007/08 were Talisman Square Car Park and the United Reform Church. The car park lease terminated in 2007/08 and the remaining property is the United Reform Church. The principal element of the annual rents paid during 2007/08 was £7,918. Amounts payable on these properties in future years are as shown below:

2008/09	£4,238
Between 2009/10 and 2013/14	£40,936
After 2013/14	£376,181

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. Fixed Asset Valuations

The values of the Council Dwellings in note 15 above are based on valuations at 1st April 2007. The revaluations were undertaken externally by Mr. B. Franklin MRICS for the District Valuer.

The values of the majority of 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.

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	3,730	10,592	4,021	18,343
Valued at current value in:				
- 2007/08	332,986	846	-	333,832
- 2004/05	250	57,496	-	57,746
- 1999/00	-	295	-	295
<b>Total</b>	<b><u>336,966</u></b>	<b><u>69,229</u></b>	<b><u>4,021</u></b>	<b><u>410,216</u></b>

The above figures exclude leased assets valued at £421,344 (see note 17).

### 19. Analysis of Net Assets Employed

	31 March 2008 £m	31 March 2007 £m
General Fund	116	125
Housing Revenue Account	297	274
<b>Total</b>	<b><u>413</u></b>	<b><u>399</u></b>

The comparative figures for 2007 have been restated to reflect the accounting changes in the 2007 SORP.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. Investments - Related Businesses and Companies

The Council has an interest in the following company:

#### 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 2007/08 Warwick District Council's contribution was £236,681 (£230,686 in 2006/07). Annual turnover of the company is £1.1m (£1.2m in 2006/07). The company has 266 members at 31 March 2008 (405 at 31 March 2007) each guaranteeing an amount not exceeding £1 (Warwick District Council holds 0.38% of the total share holding). There are 14 directors on the company's board of which 3 are Warwick District Council members.

The financial performance of the company is as follows:

	2007/08 £	2006/07 £
Net Assets at 31 March	56,025	81,171
Profit / (Loss) before tax	(137,196)	(19,520)
Profit / (Loss) after tax	(137,196)	(19,520)

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.

### 21. 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 2008 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £607,813. A separate Provision is maintained for the General Fund (£285,462) and the Housing Revenue Account (£322,351).

Movements on the provisions during the year as follows:

	Balance at 1 April 2007 £'000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 March 2008 £'000
General Fund:				
- Insurance Provision	337	2	(53)	286
Housing Revenue Account:				
- Insurance Provision	130	214	(22)	322
<b>TOTAL</b>	<b>467</b>	<b>216</b>	<b>(75)</b>	<b>608</b>

### 22. Note to the Accounts relating to the implementation of the Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts 2006/07 to accommodate the implementation of the Revaluation Reserve (see Financial Summary note 9). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £307m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£84m credit balance) to form the new Capital Adjustment Account with a balance of £391m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. 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 2007 £'000	Net Movement in Year £'000	Balance 31 March 2008 £'000	Purpose of Reserve	Further Detail of Movements
Revaluations Reserve	-	22,016	22,016	Store of gains on revaluation of fixed assets not yet realised through sales	(a) below
Capital Adjustment Account	390,944	(4,227)	386,717	Store of capital resources set aside to meet past expenditure	(b) below
Available-for-Sale Financial Instruments Account	-	-	-	Store of gains on revaluation of investments not yet realised through sales	(c) below
Financial Instruments Adjustment Account	-	(1,686)	(1,686)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(d) below
Usable Capital Receipts	6,206	(109)	6,097	Proceeds of fixed asset sales available to meet future capital investment	(e) below
Pensions Reserve	(17,114)	(6,927)	(24,041)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 24 to the Core Financial Statements, page 37
Housing Revenue Account	4,048	2,086	6,134	Resources available to meet future running costs for council houses	HRA Statements, page 43
Major Repairs Reserve	3,161	1,096	4,257	Resources available to meet capital investment in council housing	MRR Statement, page 50
General Fund	1,100	2,417	3,517	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 16
Earmarked Reserves	11,017	(586)	10,431	Resources set aside to meet future capital expenditure and for specific revenue schemes	(f) below
Collection Fund Balance	(30)	24	(6)	Element of Collection Fund Surplus / (Deficit) attributable to WDC	See Collection Fund Note 5, page 53
<b>Total</b>	<b>399,332</b>	<b>14,104</b>	<b>413,436</b>		

## NOTES TO THE CORE FINANCIAL STATEMENTS

(a) Revaluations Reserve:

	£'000
<b>Balance 1 April 2007</b>	-
Gains and losses transferred during the year from revenue or credited / debited direct to the reserve	22,016
Transactions with other reserves during the year	-
<b>Balance 31 March 2008</b>	<u><u>22,016</u></u>

(b) Capital Adjustment Account:

	£'000	£'000
<b>Balance brought forward 1 April 2007</b>		<b>390,944</b>
<b>Credits to the Reserve:</b>		
- Government Grants Deferred written out	310	
- Capital Expenditure financed from Capital Receipts	3,955	
- Capital Expenditure financed from Revenue and Reserves	4,256	8,521
	<u>          </u>	<u>          </u>
		399,465
<b>Debits to the Reserve:</b>		
- Intangible Assets written out	(2,017)	
- Other Partners' Share of WDP 2007/08 expenditure written out	(18)	
- Housing Advances principal repaid	(2)	
- Minimum Revenue Provision (M.R.P.) - net of depreciation	(6,801)	
- Reversal of Fixed Assets Gains / Losses	(3,910)	(12,748)
	<u>          </u>	<u>          </u>
<b>BALANCE CARRIED FORWARD 31 MARCH 2008</b>		<b><u><u>386,717</u></u></b>

(c) Available-for-sale Financial Instruments Account:

	£'000
<b>Balance 1 April 2007</b>	-
Gains and losses transferred during the year from revenue or credited / debited direct to the reserve	-
Transactions with other reserves during the year	-
<b>Balance 31 March 2008</b>	<u><u>-</u></u>

(d) Financial Instruments Adjustment Account:

	£'000
<b>Balance 1 April 2007</b>	-
Overhanging Premia transferred to Account / Amortised to revenue in year	(1,686)
Transactions with other reserves during the year	-
<b>Balance 31 March 2008</b>	<u><u>(1,686)</u></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### (e) Useable Capital Receipts:

	£'000	£'000
<b>Balance brought forward 1 April 2007</b>		<b>6,206</b>
Useable Capital Receipts Received		
- General Fund	3,064	
- Housing Revenue Account	2,422	5,486
		<u>11,692</u>
Amount payable to Housing Capital Receipts Pool		(1,640)
Capital Expenditure financed in year		
- General Fund	(2,992)	
- Housing Revenue Account	(963)	(3,955)
		<u>6,097</u>
<b>BALANCE CARRIED FORWARD 31 MARCH 2008</b>		<b>6,097</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## (f) Earmarked Reserves

	Balance 1 April 2007 £'000	Movement in Year £'000	Balance 31 March 2008 £'000
<b><u>GENERAL FUND</u></b>			
<b>Capital Reserves</b>			
Car Parks Commuted Sums	138	(138)	-
Capital Investment	2,154	63	2,217
<b>Specific Revenue Reserves</b>			
Grounds Maintenance Commuted Sums	679	(39)	640
Corporate Property	229	(72)	157
Insurance	434	(94)	340
Election Expenses	70	(68)	2
Art Fund	37	1	38
Energy Management	32	(7)	25
Best Value	104	(44)	60
Assembly Rooms Repairs and Renewals	11	(1)	10
Art Gallery Gift	56	-	56
Planning Appeals	334	(94)	240
Early Retirement	430	72	502
Building Control	62	(7)	55
Equipment Renewals	918	325	1,243
Gym Equipment	30	31	61
Earmarked Revenue Expenditure slipped from 2006/07 to 2007/08	997	(997)	-
Earmarked Revenue Expenditure slipped from 2007/08 to 2008/09	-	934	934
<b>TOTAL GENERAL FUND</b>	<b>6,715</b>	<b>(135)</b>	<b>6,580</b>
<b><u>HOUSING REVENUE ACCOUNT</u></b>			
<b>Housing Repairs Reserves</b>			
Housing Repairs Account	4,274	(462)	3,812
<b>Specific Revenue Reserves</b>			
Housing Early Retirement	28	11	39
<b>TOTAL HOUSING REVENUE ACCOUNT</b>	<b>4,302</b>	<b>(451)</b>	<b>3,851</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>11,017</b>	<b>(586)</b>	<b>10,431</b>



# NOTES TO THE CORE FINANCIAL STATEMENTS

## 24. 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:

	2007/08 £'000	2006/07 £'000
<b>Income and Expenditure Account</b>		
Net Cost of Services:		
- current service cost	1,870	2,090
- past service costs	611	109
- loss on curtailment	29	158
Net Operating Expenditure:		
- interest cost	4,454	4,096
- expected return on assets in the scheme	(4,285)	(3,958)
<b>Net Charge to the Income and Expenditure Account</b>	<b>2,679</b>	<b>2,495</b>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in Accordance with FRS17	(2,679)	(2,495)
<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	1,616	1,712

### 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:

	31 March 2008 £'000	31 March 2007 £'000
Estimated liabilities in scheme	(86,179)	(83,940)
Estimated assets in scheme	62,138	66,826
<b>Net asset / (liability)</b>	<b>(24,041)</b>	<b>(17,114)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £24.041m 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 2007.

The main assumptions in their calculations have been:

	2007/08	2006/07
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.4%	4.9%
Rate of increase in pensions	3.6%	3.1%
Rate for discounting scheme liabilities	6.1%	5.4%
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, totalling £1,061m for the Fund as a whole at 31 December 2007 (£966m at 31 December 2006). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Expected Return	31 March 2008 £'000		31 March 2007 £'000	
Equities	7.50%	40,824	65.7%	52,926	79.2%
Government Bonds	4.60%	5,655	9.1%	8,086	12.1%
Other Bonds	6.10%	9,010	14.5%	5,346	8.0%
Property	6.50%	2,610	4.2%	-	0.0%
Cash / Liquidity	5.25%	870	1.4%	468	0.7%
Other assets	7.50%	3,169	5.1%	-	0.0%
		<b>62,138</b>	<b>100.0%</b>	<b>66,826</b>	<b>100.0%</b>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	7,423	14.9%	1,312	2.5%	8,776	13.8%	(523)	0.8%	(6,790)	10.9%
Differences between actuarial assumptions about liabilities and actual experience	-	0.0%	(979)	1.3%	(1,708)	2.0%	-	-	4,200	4.9%
Changes in demographic and financial assumptions used to estimate liabilities	-	0.0%	(12,086)	16.6%	(6,421)	7.7%	4,132	4.9%	(3,274)	3.8%
	<u>7,423</u>		<u>(11,753)</u>		<u>647</u>		<u>3,609</u>		<u>(5,864)</u>	

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2007) the actuary concluded that the funding level had increased to 86% from its previous level of 82%. A plan has been put in place to increase the employer's contribution rate over a period of 25 years commencing in 2005/06 in order to restore the funding level to 100%. A revised plan for the remaining 22 year period will commence in 2008/09.

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 2007 and has estimated the return on assets for January to March 2008. As a result, the assets in admitted bodies' accounts are understated by 2.4% which equates to £1,491,000.

### 25. Categories of Financial Assets and Financial Liabilities

The Financial Assets and Liabilities in the Balance Sheet are analysed in the table below:

	£'000
<b>Financial Assets:</b>	
Loans and Receivables	35,385
Available for Sale Financial Assets	-
Unquoted Equity Investment at Cost	-
Fair Value through Profit and Loss	5,401
<b>Financial Liabilities:</b>	
Amortised Cost	(10,048)
Fair Value through Profit and Loss	-

During 2007/08 the Council did not need to reclassify or derecognise any Financial Assets or Financial Liabilities except for "Overhanging" Premia. These were in respect of long term debt repaid in earlier years which have now been charged to the Income and Expenditure Account. The SORP then requires this to be removed as a charge against Council Tax by being subsequently charged to the Financial Instruments Adjustment Account.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 26. Financial Instruments

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

	Long Term		Current	
	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000
<b>Borrowings:</b>				
Financial Liabilities at amortised cost	-	-	455	541
Financial Liabilities at fair value through profit and loss	-	-	-	-
<b>Total Borrowings</b>	<b>-</b>	<b>-</b>	<b>455</b>	<b>541</b>
<b>Investments:</b>				
Loans and receivables	11	11	14,823	25,337
Available for sale financial assets	-	-	-	-
Financial Assets at fair value through profit and loss	-	-	10,569	5,401
Unquoted equity investment at cost	-	-	-	-
<b>Total Investments</b>	<b>11</b>	<b>11</b>	<b>25,392</b>	<b>30,738</b>

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

	2007/08	
	£'000	£'000
Income & Expenditure Account (Surplus) / Defecit		2,122
Collection Fund (Surplus) / Deficit		(24)
<b>Adjust for non-cash transactions:</b>		
Depreciation and Impairment of Fixed Assets	(3,313)	
Excess of Depreciation over Major Repairs Allowance	(1,021)	
MRA revenue financing of capital expenditure	(3,503)	
Amortisation of Intangible Assets & Deferred Charges	(2,035)	
Amortisation of Government Grants Deferred	310	
Net surplus of sale of Fixed Assets	2,631	
Non-cash element of charges for Retirement Benefits	(1,063)	
Investment Gains	4	(7,990)
		(5,892)
<b>Adjust for Accruals basis items:</b>		
(Increase) / decrease in provisions	(141)	
(Increase) / decrease in revenue creditors	(1,208)	
Increase / (decrease) in revenue debtors	487	
Increase / (decrease) in stocks and work in progress	(2)	(864)
		(6,756)
<b>Remove non-revenue items shown elsewhere:</b>		
Interest Payable	(2,085)	
Interest element of finance lease rental payments	(31)	
Interest Receivable	3,545	1,429
<b>Net cash (inflow) / outflow from revenue activities</b>		<b>(5,327)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

1/4/06 £'000	31/3/07 £'000	Change £'000		1/4/07 £'000	31/3/08 £'000	Change £'000
-	-	-	<b>Liquid Resources</b>	-	-	-
13,706	14,823	1,117	Short Term Deposits	-	-	-
			Other Liquid Assets	14,823	5,401	(9,422)
<u>13,706</u>	<u>14,823</u>	<u>1,117</u>		<u>14,823</u>	<u>5,401</u>	<u>(9,422)</u>
5,920	10,569	4,649	<b>Non-Liquid Resources</b>	10,569	25,337	14,768
			Fixed Term deposits, etc.			
<u>19,626</u>	<u>25,392</u>	<u>5,766</u>	<b>Short Term Investments</b>	<u>25,392</u>	<u>30,738</u>	<u>5,346</u>

### 29. 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 27 provides the necessary reconciliation between the Cash Flow Statement and the Income and Expenditure Account.

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

2006/07 £'000		2007/08 £'000
(891)	Housing Benefit Administration Grant	(1,039)
(1,020)	Local Authority Business Growth Incentive	(307)
(216)	Contribution towards NDR Collection	(214)
(245)	Planning Delivery Grant	(195)
(111)	Disabled Facilities Grants	(153)
(107)	Safer and Stronger Communities	(125)
-	Assisted Travel	(82)
(58)	Waste Performance Efficiency Grant	(61)
(12)	Smokefree Legislation Grant	(59)
(12)	Implementation of Homelessness Act	(45)
-	Civil Contingencies	(32)
-	Flood Alleviation Grant	(30)
(14)	Elections	(12)
-	Gypsy & Traveller Accommodation Assessment Grant	(8)
-	Local Food Hygiene & Nutrition Initiatives Grant	(8)
(50)	Local Public Service Agreement Grant	-
<u>(2,736)</u>	<b>Total Government Grants</b>	<u>(2,370)</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	£'000
<b>Increase / (decrease) in cash in the period</b>	<b>(47)</b>
Cash inflow from new debt	-
Cash outflow from debt repaid and finance lease capital payments	8
	<hr/>
<b>Change in net debt resulting from cash flows</b>	<b>(39)</b>
Non-cash changes in debt	-
Net Debt at 1 April 2007	(354)
	<hr/>
<b>Net Debt at 31 March 2008</b>	<b>(393)</b>
	<hr/> <hr/>

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

	1 April 2007 £'000	Cash Flows £'000	Non-Cash Flows £'000	31 March 2008 £'000
Cash and bank	75	(47)	-	28
Bank Overdraft	-	-	-	-
Debt Due within 1 year	-	-	-	-
Debt Due after 1 year	-	-	-	-
Finance Leases	(429)	8	-	(421)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(354)</b>	<b>(39)</b>	<b>-</b>	<b>(393)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 33. Post Balance Sheet Events

There are no post balance sheet events to report.

### 34. Authorisation of Accounts for issue

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 16 June 2008.