

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2008/09

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FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

The Council finished the year in a more favourable position than expected with a surplus of £1.3m in the provision of its main services. There were several items contributing to this variance, the largest being £346,000 of Local Authority Business Growth Incentive (LABGI) grant. Again this was only notified at the end of the financial year, and was not something that could have been planned for with any accuracy. Other areas contributing to the surplus for the year include investment income (£257,000), recycling credits (£86,000), reflecting the large increase in recycling across the district in the year, and salary savings (£161,000). The underspend will be used primarily to increase the Council's reserves. With the uncertain times facing local government, the public sector and the whole economy, it is important that the Council maintains adequate reserves.

This has been a challenging year with the credit crunch and the recession impacting negatively on the local economy and communities. The Council responded proactively to the economic downturn by ensuring that all residents and businesses in the District were aware of the help and support that was available to them through the 'Credit Crunch' leaflet. 2009 has seen the opening of the Althorpe Enterprise Hub which is providing support and space for start-up businesses. The summer of 2009 will see the opening of the Court Street Creative Arches (offering grow on space for creative industry business) and the reopening of the Brunswick Healthy Living Centre with the addition of enterprise space and advice.

We have continued to extend neighbourhood working to help join up services of all tiers of councils 'on the ground'. Warwickshire Direct Warwick was launched in April 2008 and Lillington was launched in March 2009 bringing the Town, District and County Councils along with the Safer Neighbourhoods Team under one roof. Lillington is the fourth One Stop Shop in the District. Following the successful implementation of the Leamington town centre Business Improvement District (BID) we have begun work to support businesses and other stakeholders in Warwick as they consider a BID for the town.

We have successfully introduced alternate week collection of waste which has resulted in significantly increased recycling rates of over 53%, well in front of our original targets which are therefore being increased further. We are continuing to work in partnership with the County to manage on-street parking enforcement and to improve the service we provide by offering on-line renewal of resident parking permits for those whose details are unchanged.

A funding agreement has now been signed with AWM for £4.9M for the Spencer Yard project as the next phase of the development of a Cultural Quarter within Leamington. This will enable the refurbishment of a former church bought by the Council as a modern theatre for the independent Loft Theatre. A new Business Centre will subsequently be built by our development partner on the riverside site of the old theatre bringing the total value of the project to over £10M.

The cremators at the Crematorium have been replaced. This £700,000 project was tendered through the EU procurement process and was successfully delivered on time, delivering more efficient cremators, and ensuring compliance with new emissions regulations that are coming into force. There has continued to be an increase in gym usage and attendances at Newbold Comyn Golf Course. The Civic Trust awarded Jephson Gardens and Mill Gardens a Green Flag, the national standard for parks and green spaces in England and Wales. We have delivered 69 new affordable homes despite the housing moratorium and the downturn in the economy.

In preparing for the future we have continued working development of the Core Strategy which will replace the Local Plan. This includes consideration of the Regional Spatial Strategy, and the requirement to consider where additional house building will go. The preferred options are due for public consultation during 2009. Within Leamington we have continued work on proposals for a retail development of the Chandos Street area to maintain the viability of the town centre having selected a developer as the Council's partner, with agreements due to be signed in the summer of 2009. The development is still subject to planning permission, and will not progress until the economic conditions are more positive.

We collected 98.8% of council tax, and 98.5% of business rates - record WDC performance. The website now receives over 50,000 unique visitors per month, 3 times more than 2 years ago. It is accredited as accessible by the Shaw Trust, a pan disability charity, and also is accredited by the Plain English campaign. The Council was reassessed for Investors In People (IIP) again during 2008/09 and was successful in retaining IIP status. Warwick District Council was awarded the top prize of Public Sector Award in the Midlands Excellence Awards, and also the award for Corporate Social Responsibility. The Council was placed 22nd in the national "Times Best Councils to work for" Awards.

Mike Snow, C.P.F.A.
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FINANCIAL SUMMARY

1. General Fund Summary 2008/09

In February 2008 the Council approved a total net expenditure budget for 2008/09 of £17.5m (excluding Parish Precepts) and set a band D council tax for the district of £138.03. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	<u>Original £'000</u>	<u>Actual £'000</u>	<u>Variation £'000</u>
Democratic Representation and Management	1,070	941	(129)
Corporate Management	1,286	1,105	(181)
Central Services to the Public	1,142	1,673	531
Cultural and Related Expenses	6,496	6,894	398
Environmental Services	7,232	6,893	(339)
Planning and Development Services	2,834	4,166	1,332
Highways, Roads and Transport Services	942	2,781	1,839
Housing Services	1,189	1,874	685
Non Distributed Costs	758	290	(468)
Support Services	(14)	309	323
TOTAL GENERAL FUND NET EXPENDITURE	22,935	26,926	3,991
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(3,364)	(8,938)	(5,574)
- Adjust Loan Repayments, RCCO and Interest Paid	(209)	(210)	(1)
Net External Interest Received	(851)	(1,413)	(562)
Revenue Contributions to Capital	805	56	(749)
Contributions to / (from) Reserves	(632)	585	1,217
Governemnt Grants Deferred Written-Out	32	592	560
FRS17 Adjustments	(725)	(328)	397
Contributions to / (from) General Fund	(467)	(653)	(186)
NET EXPENDITURE FOR DISTRICT PURPOSES	17,524	16,617	(907)
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(17,524)	(17,895)	(371)
SURPLUS FOR YEAR	-	(1,278)	(1,278)

The main factors affecting the above table are:

- Several initiatives and revenue programmes that were not completed during 2007/08, amounting to £933,900, were carried forward to 2008/09 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2008/09 of £1,315,800 which have been carried forward to 2009/10 as earmarked reserves.
- Fees and Charges income was down by £560,000 due to the economic climate downturn – mainly Local Land Charges (£151,000), Car Parks (£147,000), Development Control (£243,000) and Building Control (101,000) offset by increased income from Leisure services and Licensing.
- External interest was better than estimated partially due to higher rates and partially due to higher balances invested (-£560,000)
- Gas and Electricity costs were less than expected due to fixed term contracts (-£136,000).

FINANCIAL SUMMARY

- The Council has received £348,000 in respect of Local Authority Business Growth Incentives Grant (LABGI).
- The Council has decided to allocate the surplus (a) £54,000 to committed revenue expenditure, (b) £100,000 to the Equipment Renewal Reserve, (c) £100,000 to the Early Retirement Reserve, (d) £100,000 to the 2009/10 Contingency Budget, (e) £46,000 to the Capital Investment Reserve and (e) £878,000 to the General Fund balance.

More detailed information on the transactions within the General Fund can be found in the Notes to the Core Financial Statements on pages 20 to 47.

2. Housing Revenue Account 2008/09

In February 2008, the Council approved a total net surplus budget on Council Housing for 2008/09 of £1,340,100 incorporating an estimated average rent increase of £4.75 per week, calculated using government rent restructuring guidelines. The actual average rent of £67.08 for 2008/09 was an increase of £4.75 over the average rent of £62.33 for 2007/08.

The following table shows how the actual net surplus compared to the original estimates:

<u>Housing Revenue Account</u>	Original £'000	Actual £'000	Variation £'000
Income	(21,108)	(21,024)	84
Expenditure	19,094	32,573	13,479
Net Cost of HRA Services	(2,014)	11,549	13,563
FRS17 Adjustments	(64)	(31)	33
Amortised Premiums and Discounts	614	614	0
Interest and Investment Income	(770)	(822)	(52)
Contribution to / (from) Reserves	894	(12,491)	(13,385)
(SURPLUS) / DEFICIT FOR YEAR	(1,340)	(1,181)	159

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£20.1m), and other income and charges (£1.8m). See pages 48 to 56 for more details.

3. Balance Sheet

The Balance Sheet reflects assets at their current value, totalling £376m. The Council has continued to maintain its debt-free status so as to take advantage of new freedoms arising from the introduction of the Prudential Borrowing Regime and the abolition of Part 4 of the Local Government and Housing Act 1989.

During 2008/09 net current assets decreased by £1.0m from £28.8m to £27.8m. The main items being an increase in debtors (+£0.6m net of bad debt provisions), creditors (-£0.5m) and cash at bank (+£0.4m) and a decrease in short term investments and loans (-£1.5m).

A total of £10.4m is held in earmarked reserves. Of this total, £2.8m is held for housing improvement, £2.8m is for future other capital investment and the remaining £4.8m is for specific revenue items. A full list of these reserves can be found on page 41.

A further £3.9m is held for future major housing repairs.

FINANCIAL SUMMARY

4. Collection Fund

The Collection Fund represents all the transactions on the collection and distribution of monies in respect of Council Tax and National Non-domestic Rates (NNDR).

During 2008/09 £73.4m (£69.3m in 2007/08) of Council Tax was received. The precepts and demands on the Collection Fund were Warwickshire County Council (£56.5m), Warwick District Council (£8.2m - of which £1.0m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£8.6m). After receiving payments totalling £0.1m towards deficits from previous years the Collection Fund had a surplus balance for the year of £116,000. The surplus arose mainly due to new developments being completed earlier. The surplus will be paid to the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (46.2p for 2008/09) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £57.8m of Business Rates (NNDR) was collected during 2008/09 (£53.9m in 2007/08). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £9.1m for 2008/09 (£8.7m in 2007/08) from the National Pool. An allowance of £214,800 (£214,100 in 2007/08) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 57 to 59.

5. Capital Expenditure

Capital investment of £11.3m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£6.0 million
- Regeneration	£1.4 million
- Purchase of United Reform Church	£0.9 million
- Crematorium - Cremator upgrades	£0.7 million
- Private Sector Renewal and Disabled Facilities Grants	£0.6 million
- e-government / ICT Strategy / Housing	£0.5 million
- Refuse Collection / Recycling containers	£0.3 million

No major fixed assets were disposed of during the year.

For further details see Note 19 to the Core Financial Statements.

6. Treasury Management

The Council's Treasury Management Policy Statement and Treasury Management Practices detail how the Council will manage its activities in relation to borrowing and investment. A copy of the statement and practices 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.

The Council continued to be debt free throughout 2008/09, having repaid its remaining external long term debt in 2003/04.

During 2008/09, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves and revenue (see Note 19 to the Core Financial Statements).

7. Euro Costs

The Council, as part of its routine Treasury Management activities, continues to review the impact of the euro on its ongoing operations. The Council has participated in a project led by HM Treasury to produce Best Practice Changeover Plans for Local Authorities. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

FINANCIAL SUMMARY

8. Pension Costs

Pension costs are included in the accounts to meet the requirements of FRS 17 which requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

As at 31 March 2009 this Council's pension fund liability is £23.9m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2005/06 to 2010/11 the Council's contribution rate will increase to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in Note 14 to the Core Financial Statements.

9. Impact of Economic Climate

During 2008/09 the global economic climate worsened, largely due to a crisis in the banking sector. This has led to a general decline in property values. The Council's Fixed Assets in the Balance Sheet reflect this impairment with the Housing Revenue Account assets reducing in value by £34.6m and the General Fund assets by £6.3m.

An additional impact of the economic situation on the Council's finances has been the significant reduction in investment interest rates arising from the cutting of the Bank Rate from a high of 5% to only 0.5%. Whilst this has not had a material effect on 2008/09 investment returns, 2009/10 returns will be poor in comparison and this has been built into the 2009/10 budgets.

10. Changes in Accounting Policies

Under the 2008 SORP the Council has adopted the amendment to FRS17, *Retirement Benefits*. As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £62.1m to £61.9m, a decrease of £0.2m, resulting in an increase of the pension fund deficit of £0.2m (March 2007: decrease of £0.2m). Current and prior year deficits have been unaffected by this change.

STATEMENT OF ACCOUNTING POLICIES

A brief outline of the purpose of the Council's financial statements is given below:

- Page 7** **Statement of Accounting Policies**
This statement explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.
- Page 15** **Income and Expenditure Account**
This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.
- Page 16** **Statement of Movement on the General Fund Balance**
This statement reconciles the differences between the Income and Expenditure Account and the General Fund balance.
- Page 17** **Statement of Total Recognised Gains and Losses**
This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
- Page 18** **Balance Sheet**
This statement shows the overall financial position of the Council as at 31 March 2009. It shows the assets and liabilities of the Council as a whole, excluding the Collection Fund.
- Page 19** **Cash Flow Statement**
This statement summarises the inflows and outflows of cash arising from Council transactions with third parties for both revenue and capital purposes.
- Page 48** **HRA Income and Expenditure Account**
This statement shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account.
- Page 49** **Statement of Movement on the HRA Balance**
This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.
- Page 55** **Housing Repairs Account**
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.
- Page 56** **Major Repairs Reserve**
This statement details the income and expenditure during the year on major repairs and improvements to the Council's housing stock.
- Page 57** **Collection Fund**
This statement details the transactions relating to the collection of Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and itself (which also includes the precepts of the Parish Councils). The Council is also responsible for collecting NNDR on behalf of the Government.
- Page 60** **Statement of Responsibilities for the Statement of Accounts**
This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.
- Page 61** **Annual Governance Statement**
This statement provides details of the measures in place to safeguard the Council's resources.

Where appropriate, comparative figures for the previous financial year are given. For specific items detailed notes are provided giving further information.

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2008 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments are 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, except where amended as appropriate by statute (e.g. “soft loans”).
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

STATEMENT OF ACCOUNTING POLICIES

Retirement Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Warwickshire County Council. The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Warwickshire County Council Pension Scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices, using a discount rate of 6.1%.
- The assets of the Warwickshire County Council Pension Scheme are included in the balance sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
 - gains / losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
 - contributions paid to the Warwickshire County Council pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

STATEMENT OF ACCOUNTING POLICIES

VAT

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

Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. In 2008/09, with the exception of expenditure incurred on Microsoft Office licences, all expenditure was written out to revenue as no economic benefit beyond 1 year was obtained but this did not affect the net cost of services as ultimately the expenditure was charged to the Capital Adjustment Account.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis. A de-minimis level of £20,000 has been used as the basis for inclusion as a capital asset.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any

STATEMENT OF ACCOUNTING POLICIES

additions or enhancements during 2008/09 which have not been the subject of a valuation are included at historical cost.

Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) are valued at historical cost.

A number of values in the Balance Sheet for General Fund properties are based on 31 March 2009 valuations. The remainder of values shown in the Balance Sheet for General Fund properties are based on a valuation as at 1st April 2004, updated for subsequent expenditure, sales, impairments and depreciation to provide the value at 31 March as shown in the Balance Sheet. A small number of General Fund properties have been valued for the first time during 2008/09 and this is reflected in the Balance Sheet. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency.

For Housing Revenue Account properties the valuation is based upon the valuation at 1st April 2008 provided by the District Valuer. This valuation has been updated for capital expenditure, impairments and depreciation in order to provide the value at 31st March as shown in the balance sheet. A number of Housing Revenue Account owned open spaces and sub-station sites have been valued for the first time during 2008/09 and have been included in the Balance Sheet.

Impairment: The Council's Fixed Assets are reviewed at the end of each financial year for evidence of reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account and then written off to the Capital Adjustment Account, to neutralise any impact on the Council Tax.
- Where attributable to a decline in prices - the loss is charged against the accumulated gains in the Revaluation Reserve for that asset. If the loss is greater than the accumulated gains, the balance is debited to the Income and Expenditure Account and then reversed out to the Capital Adjustment Account.

Due to the economic climate an impairment review was carried out by the District Valuer at the end of 2008/09 resulting in impairment charges of £34.6m to the Housing Revenue Account and £6.3m to the General Fund arising from a general decline in property values. In addition, impairment charges of £0.2m were made to the General Fund in respect of the old cremators at the crematorium which were replaced during 2008/09.

Disposals: when an asset is sold, the value of the asset in the balance sheet is revalued to the sale price and is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance. Usable Capital Receipts at 31 March 2009 amounted to £3,653,330 including £1,083,769 capital receipts previously set aside for the repayment of debt which are now available for financing capital expenditure as a result of the Council's debt free status. Interest on usable capital receipts held during the year is credited to the General Fund.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over periods expected to benefit from their use.

STATEMENT OF ACCOUNTING POLICIES

Depreciation is calculated on the following bases:

Depreciation (continued):

Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	5 to 48 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Vehicles and Plant	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	45 to 65 years
HRA Garages	Straight Line	10 years

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the cost of servicing any external debt that it incurs. This is based upon the life of the asset which has been financed by the external borrowing incurred or 4% of the Capital Financing Requirement excluding Housing, where the borrowing cannot be linked to a particular asset. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Funded from Capital under Statute

Deferred charges, now known as "Revenue Expenditure Funded from Capital under Statute", represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets e.g. Environmental Health Improvement Grants. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

STATEMENT OF ACCOUNTING POLICIES

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the 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 most liabilities that the Council has, the amount presented in the Balance Sheet is the original amount repayable and interest charged to the Income and Expenditure Account is the amount payable for the year under the terms of the liability.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the loss over the term that was remaining on the loan against which the premium was payable when it was repaid. The reconciliation of amounts charged to the 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 Statement of Movement on the General Fund Balance.

Financial Assets

Financial assets are classified into three 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. For assets in the Balance Sheet within this category the quoted price is the market price at 31 March 2009.
- fair value through profit and loss – assets that are held for trading. For assets in the Balance Sheet within this category the valuation is based on the market price at 31 March 2009.

STATEMENT OF ACCOUNTING POLICIES

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and 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 most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Any loans made by the Council at less than market rates are called “soft loans”. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the rate receivable from the recipient, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. It has been determined that the few “soft” loans that the Council has require no adjustment to the accounts as they are de-minimus.

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

Any gains and losses that arise on derecognition of the asset are credited / debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain / loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain / loss for the asset accumulated in the Reserve.

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

Any gains and losses that arise on the derecognition of the asset are credited / debited to the Income and Expenditure Account, along with any accumulated gains / losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Fair Value through profit and loss

These instruments are recognised at fair value and relate to instruments which are acquired or incurred principally for the purpose of generating short term profits through selling in an active market. The Council's Invesco Investment Management Fund falls within this category and any gains or losses incurred on the trading of individual instruments through the year are posted to the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of (a) an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974 and (b) the Invesco Fund which is recorded at current market value as at the 31 March 2009.

Interest Charges

Interest is credited to the Housing Revenue Account in respect of its revenue, capital and reserve balances during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

Stocks and Work in Progress

Stocks are included in the Balance Sheet at cost. Work in progress is subject to an interim valuation at year end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

Interest in Companies and Other Entities

The Council has no material interests in companies or other entities that have a nature of subsidiaries, associates and joint ventures and there is no requirement to prepare group accounts.

Post Balance Sheet Events

Any material post Balance Sheet events, which provide additional evidence relating to conditions existing at the Balance Sheet date or indicate that application of the going concern concept is not appropriate, have been included in the accounts.

Any material post Balance Sheet events that concern conditions that did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Net Expenditure 2007/08 £'000		Notes	Gross Expenditure 2008/09 £'000	Gross Income 2008/09 £'000	Net Expenditure 2008/09 £'000
1,424	Central Services to the Public		9,986	(8,313)	1,673
6,596	Cultural and Related Services		10,518	(3,624)	6,894
5,721	Environmental Services		9,462	(2,569)	6,893
4,057	Planning and Development Services		6,405	(2,239)	4,166
1,028	Highways, Roads and Transport Services		5,837	(3,056)	2,781
(1,667)	Local Authority Housing (HRA)		34,085	(21,292)	12,793
1,440	Other Housing Services		27,102	(25,228)	1,874
2,174	Corporate and Democratic Core		2,186	(10)	2,176
667	Non-Distributed Costs		366	(76)	290
21,440	Net Cost of Services	1 - 15	105,947	(66,407)	39,540
(2,631)	Gain or loss on the disposal of fixed assets				(39)
979	Parish Council Precepts				1,017
1,640	Contribution to Housing Pooled Capital Receipts				34
2,116	Interest Payable				29
(2,188)	Interest and Investment Income				(2,236)
(4)	Investment (Gains) / Losses				1
	Pensions Interest Cost and Expected				
169	Return on Pensions Assets	14			1,212
21,521	Net Operating Expenditure				39,558
(7,746)	Demand on Collection Fund				(8,186)
(2,938)	General Government Grants	16			(1,636)
(8,715)	Non-Domestic Rates Distribution				(9,089)
2,122	Net General Fund (Surplus) / Deficit				20,647

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £'000		Notes	2008/09 £'000
2,122	(Surplus) / Deficit for the year on the Income and Expenditure Account		20,647
	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	17	(20,871)
(4,539)			
(2,417)	(Increase) / Decrease in General Fund Balance		(224)
(1,100)	General Fund Balance brought forward		(3,517)
(3,517)	General Fund Balance carried forward		(3,741)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate change in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08 £'000		Notes	2008/09 £'000
2,122	(Surplus) / Deficit for the year on the Income and Expenditure Account		20,647
(22,066)	(Surplus) / Deficit arising on revaluation of fixed assets		18,164
5,864	Actuarial (gains) / losses on pension fund assets and liabilities	14	(1,685)
	Surplus arising on revaluation of available-for-sale		
-	financial assets	28	(18)
(24)	Movement on WDC share of Collection Fund Balance	Coll. Fund 5	(19)
<u>(14,104)</u>	Total recognised (gains) / losses for the year		<u>37,089</u>

BALANCE SHEET

399,332	Net Worth 1 April	413,436
413,436	Net Worth 31 March	376,347
<u>14,104</u>	Increase / (Decrease) in Net Worth	<u>(37,089)</u>

BALANCE SHEET

2008 £'000		Notes	2009 £'000	2009 £'000
	CAPITAL ASSETS			
242	INTANGIBLE ASSETS	18		210
	TANGIBLE FIXED ASSETS			
	Operational Assets:			
330,876	Council Dwellings		298,789	
6,090	HRA Land and Buildings		5,556	
51,137	Other Land and Buildings		50,406	
4,021	Vehicles, Plant, Furniture and Equipment		3,658	
863	Infrastructure Assets		845	
6,408	Community Assets		6,439	
	Non-Operational Assets			
10,423	Investment Properties		9,099	
167	Assets under Construction		576	
651	Surplus Assets held for disposal		739	376,107
410,878	TOTAL FIXED ASSETS	19 - 22		376,317
12	Long Term Investments			2
79	Long Term Debtors			67
410,969	TOTAL LONG TERM ASSETS			376,386
	CURRENT ASSETS			
11	Stocks and Work-in-Progress		11	
10,502	Debtors	23	11,689	
(1,697)	Less Bad Debts Provisions	23	(2,330)	
28	Cash and Bank		437	
30,738	Investments	31	29,280	39,087
450,551	TOTAL ASSETS			415,473
	CURRENT LIABILITIES			
0	Borrowing Repayable on demand or within 12 months		0	
(10,815)	Creditors	24	(11,332)	
0	Bank Overdraft		0	(11,332)
439,736	TOTAL ASSETS LESS CURRENT LIABILITIES			404,141
	Long-term liabilities			
0	Borrowing Repayable within a period in excess of 12 months		0	
(608)	Provisions	25	(596)	
(1,155)	Government Grants Deferred		(3,215)	
(75)	Deferred Credits		(56)	
(421)	Deferred Liabilities		0	
(24,041)	Liability related to defined benefit pension scheme	14	(23,927)	(27,794)
413,436	TOTAL ASSETS LESS LIABILITIES	26		376,347
	FINANCED BY:			
22,016	Revaluation Reserve	27a		3,721
386,717	Capital Adjustment Account	27b		368,815
0	Available-for-sale Financial Instruments Reserve	27c		18
(1,686)	Financial Instruments Adjustment Account	27d		(1,311)
6,097	Usable Capital Receipts Reserve	27e		3,656
(24,041)	Pensions Reserve	14		(23,927)
6,134	Housing Revenue Account Balance	27		7,315
4,257	Major Repairs Reserve	27		3,903
3,517	General Fund Revenue Balance	27		3,741
10,431	Earmarked Reserves	27f		10,403
(6)	Collection Fund balance attributable to WDC	27		13
413,436				376,347

CASH FLOW STATEMENT

Year Ended			Year Ended	
31 March 2008		Notes	31 March 2009	
£'000			£'000	£'000
REVENUE ACTIVITIES				
2,122	Income & Expenditure Account (Surplus) / Defecit			20,647
(24)	Collection Fund (Surplus) / Deficit			(19)
(7,990)	Adjust for non-cash transactions	30		(28,051)
(864)	Adjust for accruals basis items	30		418
1,429	Remove non-revenue items	30		2,207
(5,327)	Net cash (inflow)/outflow from Revenue Activities	30		(4,798)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
1	Interest paid		1	
33	Interest element of finance lease rental payments		20	21
Cash Inflows				
(2,030)	Interest received			(2,222)
(7,323)				(6,999)
CAPITAL ACTIVITIES				
Cash Outflows				
6,554	Purchase of fixed assets		9,835	
14,500	Purchase of long term investments		-	
1,734	Other capital cash payments		1,728	11,563
Cash Inflows				
(3,057)	Sale of fixed assets		(162)	
-	Capital Grants received	33	(500)	
-	Sale of long term investments		(4,010)	
(3,058)	Other capital cash receipts		(3,146)	(7,818)
9,350	NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING			(3,254)
MANAGEMENT OF LIQUID RESOURCES				
-	Net increase / (decrease) in short term deposits		-	
(9,311)	Net increase / (decrease) in other liquid assets	31	2,841	2,841
39				(413)
FINANCING				
Cash Outflows				
-	Repayments of amounts borrowed		-	
8	Capital element of finance lease rental payments		4	4
Cash Inflows				
-	New short term loans			-
47	NET (INCREASE) / DECREASE IN CASH			(409)

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Undischarged Obligations arising from long-term contracts

In 2009/10 the authority is committed to making payments estimated at £6.6m per annum under the following contracts:

Contractor	Contract	Annual Sum £m	Expiry Date
SITA	Integrated Waste Service: Refuse and recycling collections, Street and Public Convenience cleansing	£4.3	2013
Glendale	Grounds maintenance of parks and open spaces	£1.4	2013
Ian Williams	Maintenance of Council Housing stock	£0.9	2013

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.

3. Publicity expenditure

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

	2008/09 £'000	2007/08 £'000
Recruitment Advertising	120	172
Tourism Promotion	285	340
Other Advertising	191	216
Other Publicity	80	106
Total Publicity	676	834

NOTES TO THE CORE FINANCIAL STATEMENTS

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	Chargeable 2008/09 £'000	Non- Chargeable 2008/09 £'000	Total Building Control 2008/09 £'000
Expenditure	449	196	645
Income	(444)	-	(444)
(Surplus) / Deficit for Year	5	196	201
2007/08 Net (Income) / Expenditure	9	163	172

5. 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 within the Council's area. 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.

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:

	2008/09 £'000	2007/08 £'000
Direct Costs	184	235
Proportion of Shared Costs	834	426
Administrative Costs	159	81
Income	(2,022)	(1,267)
Net Surplus paid to Warwickshire County Council	(845)	(525)

NOTES TO THE CORE FINANCIAL STATEMENTS

6. BID Revenue Account

The Council is the billing authority for the Leamington business improvement district managed by an umbrella group of local businesses, which aims to raise the retail profile of Royal Leamington Spa. The Council collects a levy from business rate payers in the town on behalf of the BID body.

	2008/09 £'000	2007/08 £'000
BID Levy Income	(300)	-
Costs of collecting levy	10	-
Net payment to BID Leamington	(290)	-

7. 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 £146,806 in 2008/09 (2007/08 £142,689) and the related expenditure was £144,880 (2007/08 £140,483).

8. 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 2008/09 were:

	2008/09 £'000	2007/08 £'000
Allowances:		
Basic	212	206
Special Responsibility	59	52
Total Allowances	271	258

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Officers' Emoluments

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

	Number of Employees			
	Total 2008/09	Left in Year	Total 2007/08	Left in Year
£50,000 - £59,999	12	2	4	-
£60,000 - £69,999	3	1	5	-
£70,000 - £79,999	1	-	1	-
£80,000 - £89,999	2	2	-	-
£90,000 - £99,999	2	2	-	-
£100,000 - £109,999	1	-	-	-
£110,000 - £119,999	1	1	1	-
£120,000 - £129,999	1	1	1	1

10. 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:

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 Note 33.

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 14 to the Core Financial Statements.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2008/09 the precepts issued totalled £1,016,617. The major preceptors were:

	£'000
Royal Leamington Spa Town Council	284
Warwick Town Council	277
Kenilworth Town Council	120
Whitnash Town Council	79

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 £205,746 were paid to voluntary organisations in which twelve 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	97
Action 21	31
Hill Close Gardens Trust	25
Warwickshire Race Equality Partnership	24
Warwick District Mobility Ltd	15

In addition, three councillors are on the board of Shakespeare County (formally South Warwickshire Tourism Limited) - during 2008/09 the Council made a contribution of £239,300 (£236,681 in 2007/08) towards their activities.

Details of Members' Allowances and Officer Salaries are disclosed in notes 8 and 9 respectively.

11. Audit Costs

In 2008/09 the Council incurred the following fees relating to external audit and inspection:

	2008/09 £'000	2007/08 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	117	105
Fees payable to the Audit Commission in respect of statutory inspection	6	4
Fees payable to the Audit Commission for the certification of grant claims and returns	54	40
Fees payable in respect of other services provided by the appointed auditor	1	2
TOTAL PAID	178	151

The fees for other services payable in 2008/09 is in respect of the National Fraud Initiative.

12. Operating Leases

The Council uses photocopiers, printers and telephone equipment financed under terms of operating leases. The amount paid under these arrangements during 2008/09 was £37,378 (2007/08 £44,253).

The Council was committed at 31 March 2009 to making payments of £37,378 under operating leases in 2009/10, comprising the following elements:

Leases expiring in 2009/10	£35,220
Leases expiring between 2010/11 and 2014/15	£2,158
Leases expiring after 2014/15	£0

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Investments - Related Businesses and Companies

The Council has an interest in the following company:

Shakespeare Country (formally 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 2008/09 Warwick District Council's contribution was £239,300 (£236,681 in 2007/08). Annual turnover of the company is £1.1m (£1.1m in 2007/08). The company has 266 members at 31 March 2009 (266 at 31 March 2008) 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:

	2008/09 £	2007/08 £
Net Assets at 31 March	awaited	56,025
Profit / (Loss) before tax	awaited	(137,196)
Profit / (Loss) after tax	awaited	(137,196)

14. 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.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, *Retirement Benefits*. As a result, quoted securities held as assets in the pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £62.1m to £61.9m, a decrease of £0.2m, resulting in an increase of the pension fund deficit of £0.2m (March 2007: decrease of £0.2m). Current and prior year deficits have been unaffected by this change.

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:

NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09 £'000	2007/08 £'000
Income and Expenditure Account		
Net Cost of Services:		
- current service cost	2,082	1,870
- past service costs	-	611
- loss on curtailment	13	29
Net Operating Expenditure:		
- interest cost	5,246	4,454
- expected return on assets in the scheme	(4,034)	(4,285)
Net Charge to the Income and Expenditure Account	3,307	2,679

Statement of Movement in the General Fund Balance

Reversal of net charges made for retirement benefits in Accordance with FRS17	(3,307)	(2,679)
Effect on Council Tax	-	-
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable to scheme	1,736	1,616

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £1,881,000 (£5,847,000 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £357,000.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09 £'000	2007/08 £'000
1 April	(86,179)	(83,940)
Current service cost	(2,082)	(1,870)
Interest cost	(5,246)	(4,454)
Contributions by scheme participants	(773)	(676)
Actuarial gains and losses	17,974	(61)
Curtailments	(13)	(29)
Benefits paid	3,218	5,462
Past service costs	-	(611)
31 March	(73,101)	(86,179)

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of fair value of the scheme assets:

	2008/09 £'000	2007/08 £'000
1 April	61,942	66,626
Expected rate of return	4,034	4,272
Actuarial gains and losses	(16,093)	(5,786)
Employer contributions	1,736	1,616
Contributions by scheme participants	773	676
Benefits paid	(3,218)	(5,462)
31 March	49,174	61,942

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term rates of return experienced in the respective markets.

The actuarial return on scheme assets in the year was £12,059,000 (2007/08: £2,499,000).

Scheme history:

	2004/05 *	2005/06 *	2006/07 As restated	2007/08 As restated	2008/09
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(72,948)	(83,458)	(83,940)	(86,179)	(73,101)
Fair value of assets	52,072	63,518	66,626	61,942	49,174
Surplus / (Deficit)	(20,876)	(19,940)	(17,314)	(24,237)	(23,927)

* The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £23.9m 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.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £1.8m.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used by the actuary have been:

	2008/09	2007/08
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	3.6%
Bonds	6.1%	5.4%
Other	7.5%	5.3%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.1	17.8
Women	24.0	20.7
Longevity at 65 for future pensioners:		
Men	22.2	18.6
Women	25.0	21.6
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 of discounting scheme liabilities	6.1%	5.4%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05 %	2005/06 %	2006/07 %	2007/08 %	2008/09 %
Differences between the expected and actual return on assets	2.5%	13.8%	0.8%	9.3%	32.7%
Experience gains and losses on liabilities	1.3%	2.0%	0.0%	3.7%	0.0%

15. Contingent Liabilities

A Judicial review of the Concessionary Fares legislation is currently taking place and is due to go to court in November 2009. The review concerns additional capacity costs claims and the generation factors used in the calculation of the reimbursement. The operator is claiming approximately £300,000 p.a. from Warwick District Council (based upon a county wide figure, actual district figures are not known). The review will cover 2007/08, 2008/09 and 2009/10. There is considerable uncertainty in the outcome of the review.

A claim for damages of £40,000 in respect of trespass has been lodged against the Council. The Council is currently taking Counsel's advice prior to responding to the claim.

The Council is currently preparing a case for prosecution under Health and Safety legislation regarding an accidental death. Legal and expert witness costs could be incurred which the Council would be liable for if it decided to prosecute and lose the case. The likely costs are unknown.

A housing applicant is claiming that the Council is in breach of the Disability Discrimination Act. If the claim is proved then compensation will be due. The likely compensation amount is unknown.

A claim has been made against the Council's Bereavement service for personal distress.

NOTES TO THE CORE FINANCIAL STATEMENTS

16. General Government Grants

The following general grants have been received:

	2008/09 £'000	2007/08 £'000
Revenue Support Grant	1,265	1,463
Local Authority Business Growth Incentive Grant	348	1,475
Area Based Grant	23	0
	<hr/>	<hr/>
	1,636	2,938
	<hr/>	<hr/>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2007/08 £'000		2008/09 £'000
	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	
-	Amortisation of intangible fixed assets	-
(3,313)	Depreciation and impairment of fixed assets	(7,760)
	Excess of depreciation charged HRA Services over the Major Repairs	
(1,021)	Allowance element of Housing Subsidy	(14,191)
310	Government Grants Deferred amortisation	592
(2,035)	Write-downs of deferred charges to be financed from capital resources	(1,534)
2,631	Net surplus / (loss) on sale of fixed assets	39
	Deferred premiums on the early repayment of debt transferred from General Fund Balance to Financial Instruments	
(2,084)		-
398	Difference between stat debit/credit and amount recognised as income and expenditure in respect of financial instruments	374
(2,679)	Net charges made for retirement benefits in accordance with FRS 17	(3,307)
<u>(7,793)</u>		<u>(25,787)</u>
	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	
-	Minimum revenue provision for capital financing	-
2,148	Capital expenditure charged in-year to the General Fund Balance	36
	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	
(1,640)		(34)
	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	
1,616		1,736
<u>2,124</u>		<u>1,738</u>
	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	
2,086	Housing Revenue Account Balance	1,181
-	Voluntary Revenue provision for capital financing	-
(956)	Net transfer to or from earmarked reserves	1,997
<u>1,130</u>		<u>3,178</u>
<u>(4,539)</u>	Net additional amount required to be (credited) / debited to the General Fund balance for the year	<u><u>(20,871)</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Intangible Fixed Assets

	Balance at 1 April 2008 £'000	Expenditure £'000	Amount Repaid £'000	Balance at 31 March 2009 £'000
General Fund:				
- Purchased Software inc Licences	242	263	(295)	210
Housing Revenue Account:				
- Purchased Software inc Licences	-	113	(113)	-
Total	242	376	(408)	210

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:

Microsoft Office upgrades:	3 years	– Amount amortised to revenue £17,040
Building Control Software Licences:	Perpetual	– Amount amortised to revenue £14,475
Document Management Meridio Licence:	Perpetual	– Amount amortised to revenue £8,360

NOTES TO THE CORE FINANCIAL STATEMENTS

19. Summary of Capital Expenditure and Fixed Asset Disposals

Movement on fixed assets

Operational assets

	Council Dwellings £'000	Other HRA Land & Buildings £'000	Other Land & Buildings £'000	Vehicles, Plant, etc £'000	Infra- Structure £'000	Community Assets £'000	Total £'000
Cost or valuation							
At 1 April 2008	334,847	6,580	52,812	4,502	881	6,438	406,060
Additions	5,934	-	2,560	636	5	67	9,202
Donations	-	-	-	-	-	-	-
Disposals	-	(130)	-	-	-	-	(130)
Reclassifications	(28)	28	144	-	-	-	144
Revaluations	-	666	3,536	-	-	-	4,202
At 31 March 2009	340,753	7,144	59,052	5,138	886	6,505	419,478
Depreciation (straight line basis) and impairments							
At 1 April 2008	(3,971)	(490)	(1,675)	(481)	(18)	(30)	(6,665)
Depreciation charge for 2008/09	(3,834)	(596)	(1,697)	(811)	(23)	(36)	(6,997)
Impairments (Economic)	-	-	-	(188)	-	-	(188)
Impairments (Valuation)	(34,159)	(502)	(5,274)	-	-	-	(39,935)
At 31 March 2009	(41,964)	(1,588)	(8,646)	(1,480)	(41)	(66)	(53,785)
Balance Sheet amount at 31 March 2009	298,789	5,556	50,406	3,658	845	6,439	365,693
Balance Sheet amount at 1 April 2008	330,876	6,090	51,137	4,021	863	6,408	359,028
Nature of asset holding							
Owned	298,789	5,556	50,406	3,658	845	6,439	365,693
Finance lease	-	-	-	-	-	-	-
PFI	-	-	-	-	-	-	-
	298,789	5,556	50,406	3,658	845	6,439	365,693

Non-Operational assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Cost or valuation				
At 1 April 2008	10,001	167	675	10,843
Additions	-	553	-	553
Donations	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	(144)	-	(144)
Revaluations	36	-	172	208
At 31 March 2009	10,037	576	847	11,460
Depreciation (straight line basis) and impairments				
At 1 April 2008	-	-	(24)	(24)
Depreciation charge for 2008/09	-	-	(23)	(23)
Impairments (Economic)	-	-	-	-
Impairments (Valuation)	(938)	-	(61)	(999)
At 31 March 2009	(938)	-	(108)	(1,046)
Balance Sheet amount at 31 March 2009	9,099	576	739	10,414
Balance Sheet amount at 1 April 2008	10,001	167	651	10,819
Nature of asset holding				
Owned	9,099	576	739	10,414
Finance lease	-	-	-	-
PFI	-	-	-	-
	9,099	576	739	10,414

NOTES TO THE CORE FINANCIAL STATEMENTS

The above table includes assets owned by the Council. The opening balance for Investment properties excludes the £421,000 lease for the United Reform Church (see note 21).

Capital Expenditure and Financing

	2008/09 £'000	2007/08 £'000
Opening Capital Financing Requirement	(1,697)	(1,697)
Capital Investment:		
Operational Assets	9,201	7,295
Non-Operational Assets	553	150
Intangible Assets / Revenue expenditure funded from capital under statute	1,510	2,026
Sources of Finance:		
Capital Receipts	(2,576)	(3,955)
Government grants and other contributions	(2,652)	(1,260)
Sums set aside from revenue	(6,036)	(4,256)
Closing Capital Financing Requirement	(1,697)	(1,697)

Capital expenditure during the year amounted to £11.3m. 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 / Revenue expenditure funded from capital under statute (£1.51m in 2008/09) is written off in the year that it arises since there is no physical asset created which is owned by the Council, e.g. Environmental Health Improvement Grants.

The main items of capital expenditure in 2008/09 were:

	£'000
General Fund Capital Programme:	
Purchase of United Reform Church	906
Business Unit Incubators Althorpe Street	820
Crematorium - Cremator upgrade	707
Regeneration Projects	616
e-government and ICT Strategy	517
Refuse / Recycling	284
Corporate Properties	174
Housing Investment Programme:	
Housing Improvements - Improvements / Renewals	5,982
- Renovation Grants	581
Housing Associations - Grants re new Dwellings / Improvements	95

NOTES TO THE CORE FINANCIAL STATEMENTS

Significant capital expenditure projects in 2009/10 include:

£'000

General Fund:

Regeneration - Leamington Old Town	2,573
Implementing e-government / New I.T. Systems	775
Leisure Developments	513
Conservation and Environmental Development	395
Car Park Refurbishments / Enhancements	395
Flood Alleviation Schemes	218
Regeneration - Rural Initiatives	205
St. Mary's Lands Development	126

Housing Investment Programme:

Council House Improvements / Renewals	5,209
Renovation Grants and Disabled Facilities Grants	1,103
Housing Associations - Grants re New Dwellings / Improvements	775
Equipment	225

Significant contracts outstanding from 2008/09 (included in 2009/10 figures above) include:

£'000

General Fund Capital Programme:

Regeneration - Leamington Old Town	698
Other e-Government and ICT Strategy Projects	259
Conservation and Environmental Development	196
Leisure Developments	154

Housing Investment Programme:

Housing Association Schemes	375
Renovation Grants and Disabled Facilities Grants	373
Council House Improvements / Renewals	220
Equipment	178

20. Statement of Physical Assets

The Council maintained the following assets at 31 March 2009:

	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	3	Paddling Pools	2
Disused Church	1	Innovation & Enterprise Centre	1
Play Areas	17	Public Statues	3
War Memorials	3	Drinking Fountains	1
Obelisks	1	Historic Barns, Gatehouses, Clock Towers	3
Bandstand	1		

NOTES TO THE CORE FINANCIAL STATEMENTS

21. Assets held under Finance Leases

	Original Book Value £'000	Accumulated Depreciation to 31 March 2008 £'000	Gross Book Value 31 March 2008 £'000	Additions / Depreciation 2008/09 £'000	Gross Book Value 31 March 2009 £'000
Other Land & Buildings	1,371	950	421	(421)	0

Leased property at the start of 2008/09 was the United Reform Church. During the year the Council purchased this property as part of its regeneration projects.

22. Fixed Asset Valuations

The values of the Council Dwellings in Note 19 above are based on valuations at 1st April 2008. The revaluations were undertaken externally by Mr. B. Franklin MRICS for the District Valuer.

A number of the values of General Fund Fixed Assets are based on 31 March 2009 valuations provided by the District Valuer as part of an impairment review undertaken to ensure that the Fixed Asset valuations in the Balance Sheet reflect reduced property values arising out of the current economic downturn. The values of the remaining General Fund fixed assets are based on valuations at 1st April 2004. In both cases, 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, which for General Fund assets is 1 April 2009 and the revaluation exercise is currently being undertaken by the District Valuer. These assets have also been assessed for impairment and the values have been amended in line with valuations provided by the District Valuer.

Operational Fixed Assets, excluding Community Assets and equipment, are valued at open market value or depreciated replacement cost. Equipment, 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	5,934	11,873	3,658	21,465
Valued at current value in:				
- 2008/09	298,161	28,203	-	326,364
- 2007/08	-	778	-	778
- 2004/05	250	26,955	-	27,205
- 1999/00	-	295	-	295
Total	304,345	68,104	3,658	376,107

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Debtors and Bad Debt Provisions

The debtors and associated bad debt provisions at 31 March 2009 can be analysed into the following categories:

	2009 £'000	2008 £'000
Debtors:		
Central Government	3,696	2,785
Council Tax Payers	1,412	1,092
NNDR Payers	1,100	489
Housing Tenants	1,677	1,507
Housing Benefits - Rent Allowances	529	475
Other Debtors	3,275	4,154
TOTAL DEBTORS	11,689	10,502
Bad Debt Provisions:		
Council Tax Payers	(388)	(350)
NNDR Payers	(715)	(350)
Housing Tenants	(862)	(723)
Housing Benefits - Rent Allowances	(200)	(134)
Other Debtors	(165)	(140)
TOTAL BAD DEBT PROVISIONS	(2,330)	(1,697)

24. Creditors

The creditors outstanding at 31 March 2009 can be analysed into the following categories:

	2009 £'000	2008 £'000
Creditors:		
Year end accruals	4,275	5,808
Income in advance	499	424
Central Government	1,651	1,459
Council Tax / NNDR / Housing Tenants	1,580	1,378
Waste Management Contractor	1,145	209
External Contributions towards capital schemes	1,097	483
Other creditors	1,085	1,054
TOTAL CREDITORS	11,332	10,815

NOTES TO THE CORE FINANCIAL STATEMENTS

25. 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 2009 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £596,195. A separate Provision is maintained for the General Fund (£297,793) and the Housing Revenue Account (£298,402).

	Balance at 1 April 2008 £'000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 March 2009 £'000
General Fund:				
- Insurance Provision	286	80	(68)	298
Housing Revenue Account:				
- Insurance Provision	322	52	(76)	298
TOTAL	608	132	(144)	596

26. Net Assets Employed

	31 March 2009 £m	31 March 2008 £m
General Fund	89	116
Housing Revenue Account	287	297
Total	376	413

NOTES TO THE CORE FINANCIAL STATEMENTS

27. 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 2008 £'000	Net Movement in Year £'000	Balance 31 March 2009 £'000	Purpose of Reserve	Further Detail of Movements
Revaluations Reserve	22,016	(18,295)	3,721	Store of gains on revaluation of fixed assets not yet realised through sales	(a) below
Capital Adjustment Account	386,717	(17,902)	368,815	Store of capital resources set aside to meet past expenditure	(b) below
Available-for-Sale Financial Instruments Account	-	18	18	Store of gains on revaluation of investments not yet realised through sales	(c) below
Financial Instruments Adjustment Account	(1,686)	375	(1,311)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(d) below
Usable Capital Receipts	6,097	(2,441)	3,656	Proceeds of fixed asset sales available to meet future capital investment	(e) below
Pensions Reserve	(24,041)	114	(23,927)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 14 to the Core Financial Statements, page 25
Housing Revenue Account	6,134	1,181	7,315	Resources available to meet future running costs for council houses	HRA Statements, page 48
Major Repairs Reserve	4,257	(354)	3,903	Resources available to meet capital investment in council housing	MRR Statement, page 56
General Fund	3,517	224	3,741	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 16
Earmarked Reserves	10,431	(28)	10,403	Resources set aside to meet future capital expenditure and for specific revenue schemes	(f) below
Collection Fund Balance	(6)	19	13	Element of Collection Fund Surplus / (Deficit) attributable to WDC	See Collection Fund Note 5, page 59
Total	413,436	(37,089)	376,347		

NOTES TO THE CORE FINANCIAL STATEMENTS

(a) Revaluations Reserve:

	£'000
Balance 1 April 2008	22,016
Gains and losses transferred during the year from revenue or credited / debited direct to the reserve	(18,165)
Transactions with other reserves during the year	(130)
Balance 31 March 2009	<u>3,721</u>

(b) Capital Adjustment Account:

	£'000	£'000
Balance brought forward 1 April 2008		386,717
Credits to the Reserve:		
- Government Grants Deferred written out	592	
- Capital Expenditure financed from Capital Receipts	2,576	
- Capital Expenditure financed from Revenue and Reserves	6,035	
- Write out of Revaluation Reserve balances on assets disposed of	130	9,333
		<u>396,050</u>
Debits to the Reserve:		
- Intangible Assets written out	(1,534)	
- Minimum Revenue Provision (M.R.P.) - net of depreciation	(7,024)	
- Reversal of Fixed Assets Gains / Losses	(130)	
- Reversal of impairments charged to I & E Account	(18,547)	(27,235)
BALANCE CARRIED FORWARD 31 MARCH 2009		<u>368,815</u>

(c) Available-for sale Financial Instruments Account:

	£'000
Balance 1 April 2008	-
Gains and losses transferred during the year from revenue or credited / debited direct to the reserve	18
Transactions with other reserves during the year	-
Balance 31 March 2009	<u>18</u>

(d) Financial Instruments Adjustment Account:

	£'000
Balance 1 April 2008	(1,686)
Overhanging Premia transferred to Account / Amortised to revenue in year	375
Transactions with other reserves during the year	-
Balance 31 March 2009	<u>(1,311)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(e) Useable Capital Receipts:

	£'000	£'000
Balance brought forward 1 April 2008		6,097
Useable Capital Receipts Received		
- General Fund	3	
- Housing Revenue Account	166	169
		<hr/>
		6,266
Amount payable to Housing Capital Receipts Pool		(34)
Capital Expenditure financed in year		
- General Fund	(2,150)	
- Housing Revenue Account	(426)	(2,576)
		<hr/>
BALANCE CARRIED FORWARD 31 MARCH 2009		<u>3,656</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(f) Earmarked Reserves:

	Balance 1 April 2008 £'000	Movement in Year £'000	Balance 31 March 2009 £'000
<u>GENERAL FUND</u>			
Capital Reserves			
Capital Investment	2,217	614	2,831
Specific Revenue Reserves			
Grounds Maintenance Commuted Sums	640	(57)	583
Corporate Property	157	3	160
Insurance	340	7	347
Election Expenses	2	20	22
Art Fund	38	3	41
Energy Management	25	32	57
Best Value	60	2	62
Assembly Rooms Repairs and Renewals	10	(4)	6
Art Gallery Gift	56	(3)	53
Planning Appeals	240	(53)	187
Early Retirement	502	3	505
Building Control	55	(4)	51
Equipment Renewals	1,243	(161)	1,082
Gym Equipment	61	31	92
Earmarked Revenue Expenditure slipped from 2007/08 to 2008/09	934	(934)	-
Earmarked Revenue Expenditure slipped from 2008/09 to 2009/10	-	1,470	1,470
TOTAL GENERAL FUND	6,580	969	7,549
<u>HOUSING REVENUE ACCOUNT</u>			
Housing Repairs Reserves			
Housing Repairs Account	3,812	(1,008)	2,804
Specific Revenue Reserves			
Housing Early Retirement	39	11	50
TOTAL HOUSING REVENUE ACCOUNT	3,851	(997)	2,854
TOTAL EARMARKED RESERVES	10,431	(28)	10,403

NOTES TO THE CORE FINANCIAL STATEMENTS

28. Categories of Financial Assets and Financial Liabilities

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

	31 March 2008 £'000	31 March 2009 £'000
Financial Assets:		
Loans and Receivables	35,385	35,996
Available for Sale Financial Assets	-	-
Unquoted Equity Investment at Cost	-	-
Fair Value through Profit and Loss	5,401	5,341
Financial Liabilities:		
Amortised Cost	(10,048)	(11,336)
Fair Value through Profit and Loss	-	-

During 2008/09 the Council did not need to reclassify, derecognise or impair any Financial Assets or Financial Liabilities.

The Fair Value Through Profit and Loss figures in the table above relate to the portfolio of investments managed by Invesco and are based on market valuations at 31st March 2009. During the year, Invesco bought and sold financial assets such as UK Government Gilts as part of their investment strategy in order to generate short term capital gains. There was a net loss of £676 on these transactions during 2008/09 which has been charged to the Income and Expenditure account in accordance with SORP.

At 31st March 2009, the Invesco portfolio contained unrealised gains of £18,124 (i.e. the amount by which the market value at 31st March exceeded the purchase price paid for the investments still remaining in the portfolio) which have been credited to the Financial Instruments Available for Sale Reserve and are disclosed in the Statement of Recognised Gains and Losses (STRGL).

There were no gains, losses or impairments incurred on any other financial assets or liabilities.

The Council received £2,230,870 in investment interest during 2008/09 and paid out £787 in bank overdraft interest.

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

	Long Term		Current	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Borrowings:				
Financial Liabilities at amortised cost	-	-	541	-
Financial Liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	<u>-</u>	<u>-</u>	<u>541</u>	<u>-</u>
Investments:				
Loans and receivables	11	2	25,337	24,316
Available for sale financial assets	-	-	-	-
Financial Assets at fair value through profit and loss	-	-	5,401	5,341
Unquoted equity investment at cost	-	-	-	-
Total Investments	<u>11</u>	<u>2</u>	<u>30,738</u>	<u>29,657</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Nature and Extent of Financial Instruments' Risks

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

Credit Risk

This is the possibility that other parties might fail to pay amounts due to the Council. This covers deposits with banks and other financial institutions as well as customers of the Council. The risk arising from investments with other counterparties is minimised through the Annual Investment Strategy which requires that deposits with other counterparties are made in accordance with the credit criteria laid down within it. The credit criteria in respect of investments are detailed below:

Financial Asset Category	Minimum Criteria (Fitch ratings)	Maximum Investment	Maximum Duration	Proportion of Portfolio at 31st March £'000
Deposits With Banks	Sovereign AAA Long Term A+ Short Term F1 Individual B/C Support 1 or 2	£5m	Up to 2 years	8,553
Deposits With Building Societies Category A	Sovereign AAA Long Term A+ Short Term F1	£4m	Up to 2 years	0
Category B	Sovereign AAA Short Term F1	£2m	364 days	3,655
Category C	Non rated but in the Top 20 ranked by asset value	£1m	3 months	12,415
Deposits with Money Market Funds	AAA and volatility rating of VR1+	£5m	Not defined - depends on cash flow	3,526
Nationalised Industries	UK Government guarantee	£5m	364 days	0
UK Government	UK Government guarantee	£5m	Not defined	1,131
Local and Police Authorities	Secured by statute on revenues of Authority	£5m	364 days	0
				29,280

The investments in force at 31st March totalling £29.3m have been reviewed and it is considered that based on recent history during the banking crisis of 2008 the Council is at a low risk of a counterparty defaulting during the remaining term of the investments as any defaulter is likely to be absorbed into another institution or rescued by the UK Government.

At 31st March, sundry debts outstanding stood at £1.311m of which £0.782m related to general debts and £0.529m to Housing Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted upon and bad debts provisions of £0.05m (6.4%) and £0.2m (37.8%) have been established in respect of the general debts and Housing Benefit Overpayments respectively. An analysis by age of the £1.311m follows:

NOTES TO THE CORE FINANCIAL STATEMENTS

Less than 3 months	£0.812m
4 to 6 months	£0.034m
7 to 9 months	£0.075m
10-12 months	£0.030m
More than 12 months	£0.360m

At 31st March, outstanding arrears in respect of council house rents stood at £1.138m, again an assessment has been made of the default rate on these arrears and a bad debts provision of £0.862m (75.7%) has been established.

Liquidity Risk

This is the possibility that the Council might not have funds available to meet its commitments to make payments. The Council has a comprehensive cash flow management process that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council is able to borrow, subject to the limits imposed by the relevant Prudential Indicators, from the Money Markets to make up the shortfall. The relevant Prudential Indicators in this instance are the Operational Boundary for External Debt (2008/09 £2.8m and 2009/10 £2.2m) which manages the day to day cash flow requirements and the Authorised Limit for External Debt which sets an absolute ceiling on the amount of borrowing allowed (2008/09 £10.8m and 2009/10 £11.2m). The Council did not incur any borrowing either for cash flow or long term purposes in 2008/09 and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments in 2009/10.

The Council has within its balance sheet, £1.914m in respect of external contributions paid to it by developers to be spent on mainly capital expenditure for which there is no precise indication of when the related spend will take place. If the spend does not take place, the contributions will need to be refunded but this is not expected to be an issue in 2009/10. All of the Council's trade and other payables are due to be paid in less than one year.

Market Risk

This is the possibility that financial loss might arise for the authority as a result of changes in interest rates. As the Council currently has no external debt, the risk is to its investment income which is affected by movements in Bank Rate and the Money Market Rates. The Council has two types of investment, cash flow driven and core and seeks to place the core investments into that part of the interest rate curve which will protect investment returns in a falling interest rate environment. Based on the 2008/09 out-turn a 0.5% movement upwards in interest rates will produce an additional £0.204m interest. Conversely the same movement downwards will reduce investment interest by a similar amount.

NOTES TO THE CORE FINANCIAL STATEMENTS

30. 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		2008/09 £'000 £'000	
2,122	Income & Expenditure Account (Surplus) / Defecit		20,647
(24)	Collection Fund (Surplus) / Deficit		(19)
Adjust for non-cash transactions:			
(3,313)	Depreciation and Impairment of Fixed Assets	(21,044)	
(1,021)	Excess of Depreciation over Major Repairs Allowance	(907)	
(3,503)	MRA revenue financing of capital expenditure	(3,621)	
-	Capital grants & contributions credited to revenue	(4)	
310	Amortisation of Government Grants Deferred	592	
(2,035)	Amortisation of Intangible Assets & Deferred Charges	(1,534)	
(1,063)	Non-cash element of charges for Retirement Benefits	(1,571)	
2,631	Net Gain/(Loss) on sale of Fixed Assets	39	
4	Investment Gains/(Losses)	(1)	(28,051)
(5,892)			(7,423)
Adjust for Accruals basis items:			
(141)	(Increase) / decrease in provisions	12	
(1,208)	(Increase) / decrease in revenue creditors	(104)	
487	Increase / (decrease) in revenue debtors	509	
(2)	Increase / (decrease) in stocks and work in progress	1	418
(6,756)			(7,005)
Remove non-revenue items:			
(2,085)	Interest Payable	(1)	
(31)	Interest element of finance lease rental payments	(28)	
3,545	Interest Receivable	2,236	2,207
(5,327)	Net cash (inflow) / outflow from revenue activities		(4,798)

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

	Balance Sheet Value at 1/4/08 £'000	less: Accrued Interest to 1/4/08 £'000	Cash Flow in year 2008/09 £'000	Add: Accrued Interest to 31/3/09 £'000	Balance Sheet Value at 31/3/09 £'000
Liquid Resources					
Short Term Deposits	-	-	-	-	-
Other Liquid Assets	5,565	(684)	2,841	335	8,057
	5,565	(684)	2,841	335	8,057
Non-Liquid Resources					
Fixed Term deposits, etc.	25,173	(673)	(4,000)	723	21,223
Short Term Investments	30,738	(1,357)	(1,159)	1,058	29,280

NOTES TO THE CORE FINANCIAL STATEMENTS

32. 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 30 provides the necessary reconciliation between the Cash Flow Statement and the Income and Expenditure Account.

33. Analysis of Government Grants in the Cash Flow Statement

2007/08 £'000		2008/09 £'000
(28,025)	DWP Grants for Benefits	(30,325)
(307)	Local Authority Business Growth Incentive	(1,517)
(1,463)	Revenue Support Grant	(1,265)
(1,039)	Housing Benefit Administration Grant	(866)
(82)	Assisted Travel	(397)
(214)	Contribution towards NNDR Collection	(215)
(195)	Planning Delivery Grant	(182)
(125)	Safer and Stronger Communities	(145)
-	Local Public Service Agreement Grant	(50)
(45)	Implementation of Homelessness Act	(48)
(12)	Elections	(36)
-	Area Based Grant	(23)
-	Council Tax Leaflet	(15)
-	Environmental Protection	(2)
(153)	Disabled Facilities Grants	-
(61)	Waste Performance Efficiency Grant	-
(59)	Smokefree Legislation Grant	-
(32)	Civil Contingencies	-
(30)	Flood Alleviation Grant	-
(8)	Gypsy & Traveller Accommodation Assessment Grant	-
(8)	Local Food Hygiene and Nutrition Initiatives Grant	-
<hr/> (31,858) <hr/>	Total Government Grants	<hr/> (35,086) <hr/>
	Capital Government Grants	
	Disabled Facilities Grant	(202)
	Decent Homes Grant	(167)
	Planning Delivery Grant - Capital element	(90)
	Low Carbon Buildings Programme Grant	(41)
	Total Capital Government Grants	<hr/> (500) <hr/>

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Reconciliation of net cash flow to the Movement in Net Debt / Surplus

	£'000
Increase / (decrease) in cash in the period	409
Cash inflow from new debt	-
Cash outflow from debt repaid and finance lease capital payments	4
Change in net debt resulting from cash flows	413
Non-cash changes in debt	417
Net Debt at 1 April 2008	(393)
Net Surplus at 31 March 2009	437

35. Analysis in the Movement in Net (Debt) / Surplus

	1 April 2008 £'000	Cash Flows £'000	Non-Cash Flows £'000	31 March 2009 £'000
Cash and bank	28	409	-	437
Bank Overdraft	-	-	-	-
Debt Due within 1 year	-	-	-	-
Debt Due after 1 year	-	-	-	-
Finance Leases	(421)	4	417	-
Total	(393)	413	417	437

36. Post Balance Sheet Events

There are no post balance sheet events to report.

37. Authorisation of Accounts for issue

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 26 June 2009.

HRA INCOME AND EXPENDITURE ACCOUNT

Actual 2007/08 £'000		Notes	Actual 2008/09 £'000
INCOME			
(18,452)	Dwelling Rents		(19,397)
(737)	Non-Dwelling Rents		(731)
(360)	Charges for Services and Facilities		(385)
(512)	Contributions Towards Expenditure		(511)
<hr/>			
(20,061)	TOTAL INCOME		(21,024)
<hr/>			
EXPENDITURE			
3,367	Repairs and Maintenance		3,568
4,502	Supervision and Management		4,723
42	Rents, Rates, Taxes and Other Charges		43
199	Increased Provision for Bad Debts		166
5,340	Negative Housing Revenue Account Subsidy Payable	9	6,859
3,970	Depreciation and Impairment of Fixed Assets		17,118
<hr/>			
17,420	TOTAL EXPENDITURE		32,477
<hr/>			
(2,641)	Net Cost Of HRA Services per Authority Income and Expenditure Account		11,453
72	HRA services share of Corporate and Democratic Core		96
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		-
<hr/>			
(2,569)	Net Cost of HRA Services		11,549
5	Gain or Loss on sale of HRA fixed assets		(36)
-	Interest payable and similar charges		-
	Pensions Interest Cost		
11	Expected Return on Pensions Assets	10	106
638	Amortised Premiums and Discounts		614
(782)	Interest and Investment Income		(822)
<hr/>			
(2,697)	(Surplus) / Deficit for the year on HRA services		11,411
<hr/>			

STATEMENT OF MOVEMENTS ON THE HRA BALANCE

Actual 2007/08 £'000		Notes	Actual 2008/09 £'000
(2,697)	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		11,411
611	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	11	(12,592)
(2,086)	(Increase) or decrease in the Housing Revenue Account Balance		(1,181)
(4,048)	Housing Revenue Account surplus brought forward		(6,134)
(6,134)	Housing Revenue Account surplus carried forward		(7,315)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The Council was responsible for managing the following Council dwellings included in the Housing Revenue Account.

	31 March 2009 Nos.	31 March 2008 Nos.
Houses	2,516	2,516
Flats	2,437	2,437
Bungalows	670	670
	<u>5,623</u>	<u>5,623</u>

The change in housing stock can be summarised as follows:

	2008/09 Nos.	2007/08 Nos.
Stock at 1 April	5,623	5,645
Purchases	-	1
Sales	-	(23)
Conversions	-	-
Other Disposals	-	-
Change of Use	-	-
	<u>5,623</u>	<u>5,623</u>

2. Housing Revenue Account Fixed Assets

The total Housing Revenue Account fixed assets can be analysed as follows:

	1 April 2008 £'000	31 March 2009 £'000
Operational Assets:		
- Dwellings	330,876	298,789
- Other Properties	5,840	5,258
- Land	250	298
Non-Operational Assets	-	-
Total Balance Sheet Items	<u>336,966</u>	<u>304,345</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

3. Valuation of Dwellings

The 'vacant possession' value of dwellings represents the open market value of the housing stock, whilst the Balance Sheet value represents the reduced valuation owing to the stock being used for social housing. The difference between the two valuations (a reduction of 51% on the market valuations) is the 'Economic Cost' to the Government of providing council housing at less than open market rents.

	1 April 2008 £'000	1 April 2007 £'000
Vacant Possession Value of Dwellings	647,496	678,619
Balance Sheet Value of Dwellings	318,202	333,423
Economic Cost to Government	329,294	345,196

It should be noted that the above values are based on revaluations at 1st April and, therefore, are not comparable with the values shown in the Balance Sheet on page 18. The figures above exclude leased dwellings.

4. Summary of Capital Expenditure

	2008/09 £'000	2007/08 £'000
Government Grant	50	6
Internal Borrowing	-	-
Prudential Borrowing	-	-
Usable Capital Receipts	35	247
Revenue and Other Contributions	2,008	1,328
Major Repairs Reserve	3,975	2,407
TOTAL CAPITAL EXPENDITURE	6,068	3,988

5. Intangible Assets / Revenue Expenditure Funded from Capital under Statute

During 2008/09 the Housing Revenue Account incurred capital expenditure amounting to £113,427 on Assets which is capital expenditure incurred by the Council on non-physical assets. Of this, £113,216 was spent on Assisted Elderly Persons Transfer Scheme Payments enabling elderly people to move to more suitable accommodation freeing up larger housing stock for families. A further £211 was spent on the new Housing Management System Software. In the latter case there is no definite life over which to amortise the cost so together with the expenditure on Assisted Elderly Persons Transfer Scheme the entire cost was amortised to revenue in 2008/09.

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Summary of Capital Receipts

	2008/09 £'000	2007/08 £'000
Sale of Council Houses	-	2,129
Sale of Land	135	222
Repayment of Discount	17	43
Housing Advances Repaid	-	-
Sale of Council Houses Advances Repaid	18	28
Repayment of Grants	-	-
TOTAL CAPITAL RECEIPTS	170	2,422

7. Depreciation of Fixed Assets

	2008/09 £'000	2007/08 £'000
Operational Assets (Dwellings, Other Land, Buildings)	4,430	4,461
Non-Operational Assets	-	-
TOTAL DEPRECIATION	4,430	4,461

A full valuation of the stock has to be undertaken every 5 years and the latest one was carried out during 2006/07.

8. Bad or Doubtful Debts

Net rent arrears amounted to £1,361,487 at 31 March 2009 (£1,204,252 at 31 March 2008). They consist of current rent arrears, long term rent arrears and prepayments. During 2008/09, the current rent arrears (dwellings and garages) increased from £689,438 to £709,508. As a proportion of net rent collectable (gross rent net of housing benefit payments), it reduced from 7.46% to 7.40%. Total arrears increased from £973,164 to £1,137,585 proportionally, a rise from 10.52% to 11.87%. The aggregate provision for uncollectable debts is £861,650 as at the 31 March 2009.

NOTES TO THE HOUSING REVENUE ACCOUNT

9. Sums Directed by the Secretary of State to be Debited to the Housing Revenue Account

Subsidy is calculated using a “model” of an authority’s Housing Revenue Account. Figures used in the model are based on annual assumptions made by the Government on rents to be charged, expenditure on management and maintenance, “notional” (not actual) costs of loan charges and various other items of income and expenditure. Any “surplus” which is produced is debited to the Housing Revenue Account and paid to the Government as a contribution to the National Housing Rent Pool as “sums Directed by the Secretary of State”. In 2008/09, the contribution payable was £6.85m (£5.490m in 2007/08).

The calculation is as follows:

	2008/09 £'000	2007/08 £'000
<u>CREDITS:</u>		
Rents	19,853	18,887
Other Income	6	6
TOTAL CREDITS	19,859	18,893
<u>DEBITS</u>		
Management and Maintenance	8,084	7,621
Major Repairs Allowance	3,620	3,502
Loan Charges	1,296	1,574
Other Allowances	-	706
Balance to National Housing Pool	6,859	5,490
TOTAL DEBITS	19,859	18,893

10. H.R.A. – Accounting for Pensions under FRS17

The following transactions have been made in the H.R.A. Income and Expenditure Account and Statement of Movement in the H.R.A. Balance during the year:

	2008/09 £'000	2007/08 £'000
Income and Expenditure Account		
Net Cost of Services:		
- current service cost	196	233
Net Operating Expenditure:		
- interest cost	459	290
- expected return on assets in the scheme	(353)	(279)
Net Charge to the Income and Expenditure Account	302	244
Statement of Movement in the Housing Revenue Account Balance		
Reversal of net charges made for retirement benefits in Accordance with FRS17	(302)	(244)
Effect on Housing Rents	-	-
Actual amount charged against the Housing Revenue Account		
Balance for pensions in the year:		
- employer's contributions payable to scheme	165	176

NOTES TO THE HOUSING REVENUE ACCOUNT

11. Note of Reconciling items for the Statement of Movement on the HRA Balance

2007/08 £'000		2008/09 £'000
	Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year	
	Difference between amounts charged to Income and Expenditure for amortisation of premiums and the charge for the year determined in accordance with statute	-
(5)	Gain or loss on the sale of HRA fixed assets	36
-	Net loss on sale of fixed assets	-
(244)	Net charges made for retirement benefits in accordance with FRS 17	(302)
(249)		(266)
	Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year	
(468)	Transfer to / (from) Major Repairs Reserve	(214)
946	Transfer to / (from) Housing Repairs Account	997
206	Net transfer to or from earmarked reserves	10
-	Reversal of Impairment charges	(13,284)
-	Capital Expenditure funded by the HRA	-
176	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	165
860		(12,326)
611	Net additional amount required to be debited / (credited) to the HRA balance for the year	(12,592)

HOUSING REPAIRS ACCOUNT

This account is used to keep a separate record of income and expenditure relating to the repair and maintenance of the authority's dwellings. The balance on this account cannot fall into debit, though credit balances can be carried forward in order to fund future years' capital and revenue expenditure.

Actual 2007/08 £'000		Notes	Actual 2008/09 £'000
INCOME			
(4,312)	Contribution from Housing Revenue Account		(4,565)
(4)	Service Charges		-
<hr/> (4,316)	TOTAL INCOME		<hr/> (4,565)
EXPENDITURE			
1,518	Major Works Programme		1,638
1,932	Routine Maintenance		1,927
1,328	Revenue Contribution to Capital Outlay	1	2,008
<hr/> 4,778	TOTAL EXPENDITURE		<hr/> 5,573
462	Net (Surplus) / Deficit to Balances		1,008
(4,274)	Balance Brought Forward		(3,812)
<hr/> (3,812)	Balance carried forward	2	<hr/> (2,804)

1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme and in 2008/09 this was £1.0m (£0.9m in 2007/08).

2. Balance on Account

The balance on the account has decreased to £2.8m due to increased expenditure in all areas, but significantly the gas and electricity contracts within the Major Works Programme and additional contributions towards capital works funded by this account.

HOUSING MAJOR REPAIRS RESERVE

Under the Resource Accounting regime there is a statutory requirement to keep a Major Repairs Reserve Account. The account holds an amount equivalent to the Major Repairs Allowance received as part of the subsidy payment. This allowance is approximately equivalent to the annual depreciation of the HRA dwelling stock. If the actual calculation for depreciation is different to this 'proxy', then appropriate adjustments, (to or from the HRA), are made via this account.

Actual 2007/08 £'000		Notes	Actual 2008/09 £'000
INCOME			
(3,503)	MRA Subsidy		(3,621)
(490)	Depreciation on Non-Dwelling Assets		(596)
(468)	Dwellings Depreciation Adjustment		(214)
(4,461)	TOTAL INCOME		(4,431)
EXPENDITURE			
2,407	MRA Contribution to Capital Expenditure	1	3,975
490	Non-Dwelling Assets Depreciation Adjustment	2	596
468	Dwellings Assets Depreciation Adjustment	3	214
3,365	TOTAL EXPENDITURE		4,785
(1,096)	Net (Surplus) / Deficit to Balances		354
(3,161)	Balance Brought Forward		(4,257)
(4,257)	Balance carried forward	4	(3,903)

1. MRA Contribution to Capital Expenditure

This is a contribution towards capital repairs, in order to maintain the housing stock in its current condition.

2. Depreciation on Non-Dwelling Assets

Under Housing Resource Accounting it is intended that the depreciation charged on non-dwelling assets (shops, community centres, offices and garages) should be a real charge on the H.R.A. However, the Department for Communities and Local Government has agreed that this should not be brought into effect at present so relevant adjustments are made through this reserve in order to ensure that, currently, there is a nil impact on the rent payer.

3. Dwellings Depreciation Adjustment

This reflects the difference between the MRA Subsidy and the actual calculation for depreciation. Adjustments are made via the Reserve to ensure there is a nil impact to the rent payer because of this difference.

4. Balance on Account

The balance on the account, at the end of March 2009 is £3.9m which can be used for capital expenditure in future years to help maintain the condition of the stock and increase the life of the property and number of tenancy years occupation. Under the new Housing Capital Finance regime it can also be used to repay the principal of loans incurred as part of the Council's Prudential Borrowing Strategy. It cannot, however, be used to pay for debt servicing costs i.e. repayment of interest due.

COLLECTION FUND

Actual 2007/08 £'000		Notes	Actual 2008/09 £'000	Actual 2008/09 £'000
INCOME				
(62,654)	Income from Council Tax (net of benefits)			(66,385)
	Transfers from General Fund:			
(6,604)	- Council Tax Benefits			(7,051)
(53,871)	Income Collectable from Business Ratepayers			(57,776)
	Contributions towards earlier years' Collection Fund Deficit:			
(319)	- Warwickshire County Council		(83)	
(44)	- Warwickshire Police Authority		(12)	
(46)	- Warwick District Council		(12)	(107)
<u>(123,538)</u>	TOTAL INCOME			<u>(131,319)</u>
EXPENDITURE				
	Precepts and Demands:			
53,914	- Warwickshire County Council	4	56,498	
7,526	- Warwickshire Police Authority	4	8,568	
7,792	- Warwick District Council	4	8,198	73,264
	Business Rates:			
53,657	- Payment to National Pool		57,561	
214	- Warwick District Council		215	57,776
	Bad Debts and Appeals re Council Tax			
182	Write-offs		69	
38	Provision for Bad Debts and Appeals re Council Tax		38	107
<u>123,323</u>	TOTAL EXPENDITURE			<u>131,147</u>
<u>(215)</u>	Net (Surplus) / Deficit for Year			<u>(172)</u>
BALANCES				
271	Balance 1 April			56
(215)	(Surplus) / Deficit for Year			(172)
<u>56</u>	Balance 31 March	5		<u>(116)</u>
TREATMENT OF COLLECTION FUND IN BALANCE SHEET:				
	<u>Sundry Debtors / (Creditors):</u>			
44	Warwickshire County Council			(89)
6	Warwickshire Police Authority			(14)
	<u>Financing Items:</u>			
6	Collection Fund balance attributable to WDC			(13)
<u>56</u>				<u>(116)</u>

NOTES TO THE COLLECTION FUND

1. General

This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund. The account is consolidated within the Council's accounts.

2. Council Tax

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of Band D dwellings. It was calculated as follows:

Band	Estimated Number of Taxable Properties	Ratio	Band D Equivalent Dwellings
@	9.72	5 / 9	5.40
A	3,536.40	6 / 9	2,357.60
B	8,845.97	7 / 9	6,880.20
C	13,740.44	8 / 9	12,213.72
D	10,609.40	9 / 9	10,609.40
E	5,906.95	11 / 9	7,219.61
F	4,441.73	13 / 9	6,415.83
G	3,474.96	15 / 9	5,791.60
H	346.00	18 / 9	692.00
	50,911.57		52,185.36

Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties

(159.86)

COUNCIL TAX BASE 2008/09

52,025.50

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,408.23 the original estimated Council Tax income, including Council Tax Benefit, was £73.3m compared with the actual income credited to the Fund of £73.3m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	66,278
Council Tax Benefits	7,051
INCOME FROM COUNCIL TAX 2008/09	73,329

3. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate of 46.2p. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population.

The total rateable value of properties in the Warwick District area was £146,039,903 at 31 March 2009.

NOTES TO THE COLLECTION FUND

4. Names of Significant Preceptors on the Collection Fund

The following authorities made significant demand on the Collection Fund during 2008/09:

Warwickshire County Council	£56,498,504.46
Warwickshire Police Authority	£8,567,642.64
Warwick District Council	£8,197,752.00

5. Accounting for the Collection Fund Balance

At Warwick District Council, the opening balance for the Collection Fund for 2008/09 was £55,752 deficit. At the end of the year, the assumptions about collection rates had turned this deficit into a surplus of £115,751. On the basis that surpluses and deficits are shared with Warwickshire County Council and Warwickshire Police Authority (pro-rata to their respective precepts: 77.1% WCC; 11.7% WPA and 11.2% WDC), the Council accounted for the Collection Fund balance in its 2008/09 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2009, the Council included the £115,751 surplus on a disaggregated basis as a creditor of Warwickshire County Council and Warwickshire Police Authority (to the values of £89,263 and £13,536, respectively) and a £12,952 attributable surplus on the Collection Fund balance alongside the General Fund Balance.
- In the Statement of Total Recognised Gains and Losses, the attributable movement on the Collection Fund balance records a £19,000 gain (£6,000 deficit balance 2007/08 movement to £13,000 surplus balance 2008/09 = £19,000 gain for the year).

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Statement of Accounts Approved at Council Meeting 29 June 2009

Chair of the Council
Councillor Norman Pratt

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the C.I.P.F.A./L.A.S.A.A.C. Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify, that to the best of my knowledge and belief, the Statement of Accounts presents fairly the financial position of Warwick District Council at 31 March 2009 and its income and expenditure in the year ended 31 March 2009.

Mike Snow C.P.F.A.
Chief Financial Officer
Warwick District Council
P.O. Box 2180
Riverside House
Milverton Hill
Royal Leamington Spa
Warwickshire
CV32 5QW

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

Warwick District 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. Warwick District 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, Warwick District 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.

Warwick District 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 www.warwickdc.gov.uk or can be obtained from the Deputy Chief Executive (Living, Lifestyles and Resources). This statement explains how Warwick District Council has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) [England] Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled 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 objectives and to consider whether those objectives 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 and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Warwick District 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 Warwick District Council for the year ended 31st March 2009 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Authority's governance arrangements are as follows:

3.1 Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users

At the February 2008 Executive, a Corporate Strategy was agreed which contained the Authority's vision and mission. The Strategy identified seven corporate objectives and three priorities for each objective. The achievement of the priorities would be through specific agreed actions and measured by key target indicators. The Strategy also set out the resource framework; the management and delivery framework and the process for monitoring and review. The Strategy was formulated following an extensive period of consideration and consultation which took account of:

- the political intentions and ambitions of the political groups represented on the Council;

ANNUAL GOVERNANCE STATEMENT

- the previous Corporate Strategy;
- the Community Plan;
- the Warwickshire Local Area Agreement (LAA);
- information on the quality of life in Warwick District (drawn from the County Council produced document Quality of Life 2006);
- information from the most recent Householder Survey in the District;
- views of staff, the unions and various stakeholders.

With the Corporate Strategy in place, the Council's Portfolio Holders publish an annual Statement identifying and communicating the Council's priorities for the year. This statement is published on the Council's website.

The process of consultation is part of the communication process and the Corporate Strategy is published on the Council's website and in hard format. Progress against the Council's targets is communicated to the local community through its publication, *District Focus* and efficiency details are included on the annual council tax bill.

3.2 Reviewing the Authority's vision and its implications for the Authority's governance arrangements

Although the Corporate Strategy is for the period 2008-2011, it is a "living" document and will undergo a review during 2009 to ensure it is aligned with the developing Sustainable Communities Strategies of both Warwick District Council and Warwickshire County Council and the new Warwickshire Local Authority Agreement.

The review will also take account of the following information gathered during 2008-2009:

- Citizen Panel and focus group results;
- Staff surveys;
- Effects of the downturn in the economy;
- Place survey;
- Staff and stakeholder consultation.

Further work will take place to ensure that the Authority's vision is aligned with that of partners and that the Partnership Policy is up-to-date.

At a special Executive meeting in April 2008, a report outlining changes to the governance arrangements was agreed which can be summarised as follows:

- providing the necessary mechanism for the revised overview and scrutiny arrangements;
- extending the powers of the Standards Committee to provide the final health check on the Annual Governance Statement. This revision would also provide for an annual review of the Constitution which would enable it to be kept up to date more effectively;
- membership of the Standards Committee would be permitted to expand to allow for the establishment of the necessary panels to enable the handling of a predicted increase in workload as a result of the local determination of complaints; and
- revisions to the delegations to committees as a result of the above; revisions to the powers of officers to coordinate with the above and to bring other aspects up to date.

In March 2009 the Overview and Scrutiny committees agreed changes to their respective remits to make them more effective committees. The Overview and Scrutiny Committee will now have oversight responsibility for policy development and performance monitoring while the Finance and Audit Committee will oversee the adequacy of the Council's risk management and control frameworks.

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3.3 Measuring the quality of service 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

Performance management and reporting mechanisms ensure performance management is embedded into the core management structures of the organisation. Performance targets are set for the key indicators in the Corporate Strategy, and other important service performance measures are identified in the Service Plans and Portfolio holder statements. The Council regularly measures the experience of its services for users through the use of the citizens' panel of approximately 1,000 representative local citizens, and in addition through service specific local surveys from time to time e.g. annual Housing Services survey.

The Council's online performance management system requires identified responsible officers to input data on at least a quarterly basis. The system, introduced at the end of 2003, identifies indicators which have missed their target or are at risk of doing so and requires officers to provide an assessment of the reasons for this along with any appropriate corrective action. These indicators are drawn together into reports to be used for team, service area and directorate meetings and portfolio holder briefings as well as forming the basis of reports to Corporate Management Team, Overview and Scrutiny Committees and the Executive. The Executive receives a report on performance every quarter. There is a cycle of quarterly meetings relating specifically to performance management which are set at the beginning of each year.

There have been a number of internal and external reviews of the Council's Performance Management Framework e.g. EFQM and work currently being undertaken on Customer Insight and Systems Thinking will see the Framework develop further ensuring measurement is aligned with customer needs and expectations.

Where service falls below customer expectations it often manifests itself in complaints. The number of complaints received each month is reported by service area to the Council's Corporate Management Team and a new Complaints management system will enable the Authority to make better use of the information.

The Authority has undertaken considerable work to try and improve the quality of data both collected and recorded on to the performance management system. All National and Corporate Strategy indicators have data quality templates. The data quality work is not yet complete but progress is monitored by the Finance and Audit Committee on an ongoing basis.

Each December a report is prepared showing the Council's spending in context and identifies services which have high relative spending: Councillors are then aware of the historic resource allocations and their potential impact in the context of commenting on the budget proposals. The Audit Commission's 'Use of Resources Assessment' scores the Council on Value for Money and once again the Council received a score of 3 for this element indicating that it is performing well and consistently above minimum standards in this area.

3.4 Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and other functions, with clear delegation arrangements and protocols for effective communication.

The Constitution sets out the respective responsibilities of Members and Officers. It specifically sets out the terms of reference for the Executive and Scrutiny Committees. The Standards Committee takes an active role in reviewing the Constitution and ensuring the levels of delegation are appropriate. Amendments necessary to the scheme of delegation were identified during the year and included in the revision to the Constitution. It has been identified that the Constitution could be improved to specifically refer to the general role of Councillors and this will form part of a general review of the Constitution in September 2009.

There is a management matrix which shows the relationship between portfolio area and service areas and relates to the Corporate Strategy and Community Plan This has been communicated to all service managers and is used as part of the induction programme for new staff.

3.5 Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

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There is a Member and Officer Protocol and Codes of Conduct for Members and Officers. All new members and officers receive a copy of the Code. This is embedded by a regular review of member interests (detailed on the Council's website) by the Standards Committee and a quarterly review of officer interests and declarations of gifts and hospitality by senior managers and the Corporate Management Team. Staff are reminded annually through their payslip of the need to make declarations for conflicts of interest. There is an Anti-Fraud and Corruption Policy which is reviewed each year by the Executive. All new staff receive training on the Policy as part of the induction process and it is brought to the attention of all staff annually through the Council's internal information Portal (the Intranet).

The Authority agreed new Organisational Values in 2007 and these are now reflected in the Competency Framework which is a fundamental part of the staff appraisal process.

3.6 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 risks

The Code of Financial Practice was recently reviewed in its entirety, with changes agreed by Council in February 2008. This was the first major review for over three years. The review was led by Finance so as to address limitations apparent in the Code, with the Corporate Management Team reviewing the proposals. The Code of Financial Practice is now reviewed each year, with changes made as appropriate. The Code is included in on-going procurement training for senior officers.

The Code of Contract Practice is part of the Council's Constitution. Amendments to the Code were agreed by the Executive in June 2008 and February 2009 having been consulted upon across the Authority as part of the Corporate Management Team agenda process. A Procurement Action Plan is in place and is overseen by the Procurement Manager who champions procurement issues across the Council. Senior Managers have received specialist procurement training and are responsible for following good audit practice.

There is a uniform report template which sets out the standard information required for a decision to be taken, and there is a protocol for officer attendance at Committees. There are guidance notes for officers on writing reports. However Committee Services has identified the need to set up a system to monitor the implementation of decisions. The Corporate Management Team has identified the need to better record the comments of officers involved in the development of reports. This work will be completed shortly.

The Council approved a Risk Management Policy Statement and Strategy in January 2003 and this is updated annually and reported to the Audit and Resources Overview and Scrutiny Committee. This explains the methodology which provides a comprehensive framework for the management of risk throughout the Council. A cross-departmental Risk Management Group has defined Terms of Reference to develop a comprehensive performance framework for risk management and to embed risk management across the Authority. Corporate and departmental risk registers are in place and appropriate staff have been trained in the identification, assessment and monitoring of risks. There is regular review of service and high level corporate risks are reported to the Executive every quarter.

As identified at section 3.4, further changes will be required to the Constitution and these are due to be made in September 2009.

3.7 Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practice for Local Authorities

The core functions of an audit committee are delivered by the Authority's Audit and Resources Overview and Scrutiny Committee. These are set out in its terms of reference* approved by the Executive.

The prime purpose of the Audit and Resources Overview and Scrutiny Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

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In addition to the general role of Audit and Resources overview and Scrutiny Committee, the Committee also:

- Approves (but not directs) internal audit's strategy, plan and performance.
- Reviews summary internal audit reports and the main issues arising, and seeks assurance that action has been taken where necessary.
- Considers the reports of external audit and inspection agencies.
- Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Satisfies itself that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Ensures that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Reviews the financial statements, external auditor's opinion and report to members, and monitor management action in response to the issues raised by external audit.

*Note: Changes to the remit of the Audit and Resources Overview and Scrutiny (including a change of name to the Finance and Audit Scrutiny Committee) were agreed by Full Council on 22nd, April 2009. The Council's Constitution will need updating appropriately.

3.8 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Compliance with law and regulation is achieved by recruiting suitably qualified staff, and having job descriptions and personal specifications for all posts. All senior managers receive a local government briefing to alert them to changes in the external regulatory framework, and major changes are identified for reports to the Executive or Council as appropriate. As part of the service planning process the impact of new laws is addressed.

Key service staff will monitor compliance with internal policies from time to time; examples are the annual review of appraisals undertaken, compliance with health and safety registers, and the completion of equalities assessments. Internal audit will identify any key policies that might need to be tested as part of any audit.

To ensure expenditure is lawful the Council agrees detailed budgets, and managers responsible for the budgets are required to sign acceptance of them. The financial regulations and contract standing orders set out procedures to ensure lawful expenditure. Both the finance staff, the Chief Financial Officer and the Monitoring Officer are required to sign off Committee reports to ensure relevant financial issues have been addressed, and any matters of legality are addressed. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and Chief Officers under their delegated powers.

3.9 Whistle-blowing and arrangements for receiving and investigating complaints from the public

An Anti-fraud and corruption strategy and a whistleblowing policy and procedure are in place. Both documents are reviewed annually by Members and publicised widely, including on the Council's website.

The anti-fraud and corruption strategy comprises a series of measures and procedures that are designed to frustrate any attempted fraudulent or corrupt acts. This includes:

- Establishing the appropriate culture;
- Appointing statutory officers;
- Maintaining a Council committee structure which reviews decisions, examines specific issues and promotes high standards, as well as investigating alleged breaches of the code of conduct;
- Recruiting and retaining high calibre staff;

ANNUAL GOVERNANCE STATEMENT

- Establishing relevant procedures and codes that form the Council's overall control framework;
- Exchanging information with other bodies.

The strategy also describes the arrangements for investigating allegations.

The whistle-blowing policy and procedure provides an avenue for those that have serious concerns about any aspect of the Council's work to come forward and express those concerns.

The policy gives examples of the possible concerns that may exist, how these should be raised and how the Council will respond. In the event of dissatisfaction, other avenues for raising concerns are also set out within the policy.

The Council also has a Complaints Procedure in which members of the public can record formally a complaint which is then investigated by the head of the service to which the complaint relates to. If the complainant is dissatisfied with the outcome of the investigation they can require the complaint to then be investigated by an officer outside of the service to which the complaint relates. If the complaint is still dissatisfied they have the right to have the complaint referred to the Local Government Ombudsman for investigation and resolution.

3.10 Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

There is a Members Development Programme agreed by the Members Development Group. The Group considers the Programme to be of high quality and a submission was made to the West Midlands Local Government Association for the Members Development Charter Primary Award. Councillors undertake a self-assessment of development needs.

Training for senior officers is identified through the induction programme, and on an ongoing basis through the appraisal process which requires a review of development needs. Senior Officers have received a training session on the statutory roles of council officers.

Members of the Corporate Management Team are encouraged to attend appropriate SOLACE training.

3.11 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council issues a residents' magazine 3 times per year distributed with the Observer free newspaper or separately delivered, particularly in rural areas that do not receive the Observer. Annual performance is reported in one of these issues.

The Local Strategic Partnership and its sub groups enable a two-way dialogue across the whole spectrum of the Council's activities involving key local stakeholders in partnership working e.g. County Council, Primary Care Trust and Voluntary Sector. The Partnership will be reviewed in light of the emerging Sustainable Communities Strategy.

Neighbourhood Working, which has extended the remit of the current local neighbourhood policing forums to cover the totality of local government working, District, County and Parish, has now started in many parts of the District with a particularly promising starts in Whitnash and South Leamington.

The Council has identified the need to improve its dialogue with hard to reach groups, in order to ensure its services are responsive to the whole community. A Community Engagement Strategy has been developed which includes a review of the Consultation Strategy.

The results of the Place Survey are being analysed according to geographical communities and communities of interest. This work ties-in with the Customer Insight project.

The Council has had three citizens' panels during the year in order to gain views from a representative sample of constituents.

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3.12 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

The Council has a policy for managing its partnership arrangements. However, it has identified that this needs review in the light of more recent best practice and then embedding to ensure all partnership arrangements follow best practice. The review has started and will have been concluded by the end of June 2009.

As part of the policy a Partnership Checklist has been developed. Each of the Authority's partnership arrangements will be reviewed against this checklist during the course of 2009/2010.

4. REVIEW OF EFFECTIVENESS

Warwick District Council has 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 comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

4.1 The Authority

The Authority is responsible for agreeing the changes to the Constitution that have been developed during the year. This Annual Governance Statement is also reported to the Authority when it approves the financial statements.

The Executive

The Executive agreed a new Code of Corporate Governance in March 2008, and agreed the methodology for the production and review of this Annual Governance Statement.

4.2 The audit committee/overview and scrutiny committees/risk management committee

The Council has delegated to the Audit and Resources Overview and Scrutiny Committee responsibility for discharging the functions of an audit committee. Its prime purpose is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance and oversee the financial reporting process.

Each quarter the committee reviews the findings from internal audit assignments completed during those periods whilst annually it receives a report on the effectiveness of Internal Audit. It also considers reports from external audit and other review agencies as and when they are issued.

4.3 The Standards Committee

The introduction of the new Code of Corporate Governance and the requirement to produce an annual governance statement has led to responsibility for Corporate Governance, and the review of the statement, being explicitly recognised in the terms of reference of the Standards Committee.

ANNUAL GOVERNANCE STATEMENT

4.4 Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a three-year plan which is approved by the Audit and Resources Scrutiny Committee, and from which the audit assignments are identified.

A report of each audit is submitted to the relevant Deputy Chief Executive and Service Area Manager. The report includes an action plan comprising recommendations for improvements in control and management responses.

Quarterly reports are issued to Members on progress in achieving the annual plan. The reports also provide summaries of the audits completed in the quarters and details of any outstanding responses by managers to audit reports.

Internal Audit is fully-compliant with all eleven elements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section.

4.5 Other review/assurance mechanisms

Overview and Scrutiny committees, the Standards Committee, external audit and external inspection agencies such as the Benefit Fraud Inspectorate and the Food Standards Agency contribute to the review of the Authority's compliance with policies, procedures, laws and regulations. Occasional use is also made of other review agencies such as peer assessors from the West Midlands Local Government Association.

The Council has actively used the EFQM Excellence Model for the last nine years as a tool for improving practice against an internationally recognised model and as a tool for benchmarking against cross-sector organisations. The Council has consistently increased its EFQM scores over four assessments. In 2008 the Council was the West Midlands Award Winner (competing against organisations from all sectors) in the Midlands Excellence EFQM Awards. The Council has also been Investors In People accredited since the late 1990s. A number of services are externally accredited against specific standards, for instance Building Control, and Food Safety are both accredited under ISO9000.

The Council has been recognised by its staff as one of the Best Councils to work for having come in the top 25 of the Times Newspaper's Best Councils to Work.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Finance and Audit Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT GOVERNANCE ISSUES

Governance issues that are identified for improvement are set out below. Those marked with a high priority are felt to be significant. It is felt that there is benefit in all intended governance improvements being recorded with this statement. The actions have been identified from work done on the statement above and in collecting the evidence required. All high priority actions are planned to take place during 2009/10.

ANNUAL GOVERNANCE STATEMENT

ACTIONS FROM EVIDENCE IN PREPARING GOVERNANCE STATEMENT						
REF.	ISSUE	ACTION REQUIRED	CARRIED FORWARD FROM 2007-2008 ACTION PLAN	WORK TO BE COMPLETED	Responsible Officer (See key at end)	H/M/L
Objective 1, Step 1: Mechanisms established to identify principal statutory obligations						
1	Statutory obligations are formally established	<p><i>Update of Constitution to reflect the way the Executive is appointed and the preferred Leadership model</i></p> <p>Update the constitution & delegated powers for both officer and portfolio holder responsibilities.</p> <p>The Council is consulting on a restructure at the moment that will affect both the senior management of the Council and Portfolio responsibilities.</p>	<p><i>Regulations have been issued but no requirement to amend constitution before December 2010 i.e. to be in place for next District Council elections</i></p>	<p>Yes – Q4 January Work will need to commence towards the end of the next municipal year</p> <p>September 09</p> <p>May 2009</p>	<p>ACE (M)</p> <p>CEx</p>	<p>H</p> <p>H</p> <p>H</p>
1	“	<i>Update of relevant Job Descriptions following review of constitution</i>	<i>As above</i>	Yes – Q4 January <i>As above</i>	HODI	L
2	Record of statutory obligations	<i>List of record of statutory obligations to be circulated to Heads of Service.</i>	<i>There is no list for Districts so this cannot be done. However delegated powers were updated during the year and Heads of Service consulted with regard to accuracy</i>	Yes – Q2 September <i>Further changes will be required to delegated powers as a result of new structure</i>	HoL	H
Objective 1, Step 2: Mechanisms in place to establish organisational objectives						
2.	The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	<p>Corporate Strategy to have mid-term review in light of economic downturn and Place Survey results – report planned to Executive</p> <p>Once the Sustainable Community Strategy has been developed, the Corporate Strategy will be revisited to ensure alignment and if necessary reviewed – report planned to Executive</p>		<p>June 09</p> <p>June 09</p>	<p>CEx</p> <p>CEx</p>	<p>H</p> <p>H</p>
3.	Priorities and objectives are aligned to principal statutory obligations and relate to available funding	Further consideration of how priorities and objectives match up to the new LAA required. report planned to Executive		June 09	CEx	H
5	Objectives are clearly communicated	Communication strategy being prepared for September		September 09	HODPI	H
Objective 1, Step 3 : Effective Corporate Governance arrangements are embedded within the authority						
4.	Governance training provided to key officers and all members	Induction programme for senior staff to include governance issues		July 09	HODPI	M

ANNUAL GOVERNANCE STATEMENT

ACTIONS FROM EVIDENCE IN PREPARING GOVERNANCE STATEMENT						
REF.	ISSUE	ACTION REQUIRED	CARRIED FORWARD FROM 2007-2008 ACTION PLAN	WORK TO BE COMPLETED	Responsible Officer (See key at end)	H/M/L
5.	Staff, public and other stakeholder awareness of corporate governance	Consider at least one item annually on Corporate Governance at the Senior officers meeting. Scheduled for November		November 09	DCE (AJ)	L
Objective 1, Step 4: Performance management arrangements are in place						
1.	Comprehensive and effective performance management systems operate routinely	Define strategic partnerships that require an annual report and progress		to be completed by June 09	HODPI	H
3.	The authority knows how well it is performing against its planned outcomes	Action plan for new Use of Resources to be reported to Finance & Audit		October 09	DCE (AJ)	M
5	Continuously improving performance	<p><i>Need to further review Corporate Strategy and portfolio holder statements in June 09 to reflect portfolio restructuring –</i></p> <p>Link our performance management arrangements with the Sustainable Community Strategy when this is approved in June</p>	<p><i>Corporate Strategy has been reviewed in light of developing Sustainable Community Strategy (SCS) objectives. Further work will need to be done to ensure any key performance indicators included in the final SCS are managed through the Corporate Performance Management Framework</i></p>	<p><i>June 09</i></p> <p><i>Community Strategy to be considered at June 09 Executive</i></p>	<p>HODPI</p> <p>HODPI</p>	<p><i>M</i></p> <p><i>M</i></p>
Objective 2, Step 1– The authority has robust systems and processes in place for the identification and management of strategic and operational risk						
2	Risk Management extends to partnership risks	Ensure partnership risk registers are obtained and reviewed		by September 09	DCE (AJ)	H
4	Recording risk	Implement finally agreed risk indicators		by September 09	DCE (AJ)	M
5.	The authority has well-established and clear arrangements for financing risk	Greater use of claims handling system planned to produce tailored reports for managers on claims and risks		by July 09	HoF	L
11.	Risks in partnership working are fully considered	Include in review of Partnerships		to be completed June 09	HODPI	H
12	Risk information system	Audit and Risk Manager to investigate software for managing risks, in particular possibility of in-	In house software produced, and risk registers are loaded. Well	Y– Q1 June Corporate risk	DCE (AJ)	M

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		<i>house development of system</i>	<i>received to date by Risk Management Group.</i>	<i>register needs loading onto system</i>		
Objective 3, Step 1 - The authority has robust systems of internal control which includes systems and procedures to mitigate principal risks						
1.	Financial Regulations	CoFP will continue to be reviewed at least annually, with amendments sought if required.		Annually (min)	HoF	
7	Communication of scheme of delegation to all staff	Training on decision making powers including the scheme of delegated powers		October 09	HoL	M
9	Business continuity	Implement actions resulting from the test to provide greater resilience during 09/10. BCM Policy to be taken to the July Executive. The revised Corporate BCM plan is to be taken to the July Executive		July 09 July 09	Both - HE	H
14	Complaints	The review of the complaints process has been completed and will be implemented in conjunction with guidance awaited from the LGO. A report will be made to the Standards Committee in June and the Executive in July 2009		June / July 09	ACE (M)	L
Objective 5, Step 1 – Evaluate assurances and identify gaps in control/assurances						
1.	Responsibilities for assurances are defined	Review if responsibility is sufficiently documented		July 09	CEx & CFO	
2.	Mechanism for governance	Document responsibility for agreeing and documenting service assurances Ask Audit to review if clear guidance exists on evaluation procedure including assurance over risks, independence and objectivity of assurances		June 09 June 09	HoF HoF	M M

ACTIONS FROM EVIDENCE ON THE SIX THEMES OF CODE OF CORPORATE GOVERNANCE						
REF.	ISSUE	ACTION REQUIRED	CARRIED FORWARD FROM 2007-2008 ACTION PLAN	WORK TO BE COMPLETED	Responsible Officer (See key at end)	H/M/L
CIPFA/SOLACE Core Principles – Theme 1: Focusing on purpose/outcomes and creating a vision for the local area						
1	<i>Develop & promote vision</i>	<i>Promotion of Corporate Strategy</i>	<i>Initial promotional work completed (April –June 2008). Promotion of the Council's Values has also taken place. Following revision of the Corporate Strategy in Autumn 2008, further promotional work was planned but has been limited pending a further review of the Corporate Strategy in June 2009</i>	<i>Yes – Q2 September</i>	HODPI	H

ANNUAL GOVERNANCE STATEMENT

ACTIONS FROM EVIDENCE ON THE SIX THEMES OF CODE OF CORPORATE GOVERNANCE						
REF.	ISSUE	ACTION REQUIRED	CARRIED FORWARD FROM 2007-2008 ACTION PLAN	WORK TO BE COMPLETED	Responsible Officer (See key at end)	H/M/L
2.	Review vision	Warwick Area Local Strategic Partnership governance to be agreed at June Executive		June 09	CEx.	H
3.	Ensure partnerships have common vision	Review of Partnership Policy and review of individual partnerships in line with the agreed policy by June		by June 09	HODPI	H
5.	Quality of service	Following Customer Insight project and systems thinking pilots develop a revised approach to ensuring what we measure is directly related to customer needs and expectations. Will be developed in tandem with Service Delivery Plans for 2010-11.		January 10	HODPI	M
7	Value for money	Benchmarking has been completed for five support services, however, the authority's approach to value for money and benchmarking needs to be more formalised. Paper to CMT/Executive in September		September 09	HoF	M
CIPFA/SOLACE Core Principles – Theme 2: Members & officers working together to achieve common purpose with clearly defined functions & roles						
2	Roles and responsibilities	Role of councillors as described in the Constitution to be considered as part of general review.		September 09	ACE (M)	L
5	Leader/Chief Executive protocol	Draft protocol produced and to be agreed		June 09	CEx	M
6.	Roles	To be amended to the Head of Finance.		September 09	HODPI	M
12.	Partnership working	As in Theme 1, no 3 above		June 09	HODPI	H
13.	Legal status of Partnerships	As above		June 09	HODPI	H
CIPFA/SOLACE Core Principles – Theme 3: Promoting values for the authority and demonstrating values of good governance through upholding high standards of conduct and behaviour						
2	Standards of Conduct	Update Chief Officer performance review arrangements	<i>To be updated in tandem with revised structure</i>	August 9	HODPI	M
8.	Partnership Working – Values	As in Theme 1, no 3 above		June 09	HODPI	H
CIPFA/SOLACE Core Principles – Theme 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk						
1	Effective Scrutiny	Review completed and amended structure to be introduced in May		May 09	CMT/HODPI/ACE	M
2	Decision making	Process devised for recording when decision of Council, Executive and Committees are implemented, to be implemented in conjunction with introduction of new committee management system. Aiming for quarter 3 but dependent upon introduction of new Committee Management System		Date to be reviewed in November 09	ACE	M
3.	Conflicts of interest	Annual reminder in payslip regarding need to make declarations for conflicts of interest for officers			HF	M
10.	Lawful activity	Provide training should the need arise. Continue to review on a		October 09	HoL	L

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		periodic basis.				
11.	Limit of law	As above		October 09	HoL	L
12.	Legislative requirements are observed	Develop training for members via member development group on legality issues to include vires, Wednesbury etc		October 09	HoL	L
CIPFA/SOLACE Core Principles – Theme 5: Developing the capacity and capability of members and officers to be effective						
2	Statutory offices have necessary skills & resources and their roles are understood in the organisation	It is felt that senior managers need to be given a better understanding of all the statutory roles. Monitoring Officer: support to understand his role. Encourage attendance of Monitoring Officer at CMT Executive report sign-off meetings	As above This is no longer an issue as the post-holder has left the authority	N Yes – Q1 May Will need to review input of legal and financial advice and role of monitoring officer in light of new structure	Stat Officers HOL CEX/HOL/HF/ACE(M)	H M H
2	Statutory offices have necessary skills & resources and their roles are understood in the organisation	Process for generating Executive reports for CMT sign-off is being considered by Member Services.		May 09	ACE	M
6	Engagement, contribution & participation of all members of the community	Develop comprehensive and routine systems of community engagement to involve all sections of the community		July 09	DCE (AJ)	H
7.	Member & officer career structures	New Member Development programme –agreed as rolling programme.		June 09	HODPI/ACE (M)	M
CIPFA/SOLACE Core Principles – Theme 6: Engaging with local people and other stakeholders to ensure robust public accountability						
1.	Accountability made clear	Sustainable Community Strategy	Sustainable Communities Strategy to be agreed; Action Plan required to be prepared and agreed	to be agreed by June 09	CEX	H
2.	Institutional arrangements	Warwick LSP to be reviewed with the development of the SCS		June 09	CEX	H
4.	Consultation and Engagement	Communications strategy needs review and updating for September 09 Revised Sustainable Community Strategy to be agreed at June Executive Warwick LSP to be reviewed with the development of the SCS		September 09 June 09 June 09	HODPI CEX CEX	M H H
6.	Consultation and Engagement	Develop comprehensive and routine systems of community engagement to involve all sections of the community Focused consultation with young people planned for 1 st Quarter of 2009/10		May 09 2009/10 June 09	DCE (AJ) DCE (AJ) HODPI	M M M

ANNUAL GOVERNANCE STATEMENT

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		New approach to customer insight includes specific work to identify and communicate with potential services users				
7.	Consultation and Engagement	Consultation Strategy is out of date and needs reviewing, to include feedback. Plans in place to do this for July 2009 – part of Community Engagement Strategy		July 09	DCE (AJ)	M

KEY

Italics indicates carried forward from previous year

ACE (M) – Assistant Chief Executive (Members services)
 CEx – Chief Executive
 DCE(AJ) – Deputy Chief Executive (Andy Jones)
 CMT – Corporate Management Team
 HE – Head of Engineering
 HEH – Head of Environmental Health
 HF – Head of Finance
 HODI – Head of Organisational Development & Improvement
 HoL – Head of Legal & Monitoring Officer
 IAM – Internal Audit Manager

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 will monitor their implementation and operation as part of our next annual review.

Signed:

Michael Doody
Leader of the Council

Chris Elliott
Chief Executive

Dated:

18th June 2009

18th June 2009

AUDITOR'S REPORT TO WARWICK DISTRICT COUNCIL

To follow on completion of the Audit