

WARWICK DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2009/10

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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 £1.1m in the provision of its main services. There were many items contributing to this variance, the largest single item being the salary savings that were made in the year of £249,000. Other areas contributing to the surplus for the year include recycling income (£63,000), reflecting the large increase in recycling across the district in the year, and travel tokens (£97,000), where the take-up was below expectations. The underspend will be used to increase the Council's reserves.

This has been a challenging year with the recession continuing to impact negatively on the local economy and communities. This has also had an effect upon the Council, with reduced income for some of its services, for example, car parking and development control, and investment returns continuing to be low. The recession has also increased the demand for some Council services, notably housing and council tax benefit. With the effects of the recession continuing to restrict local government, the public sector and the whole economy, it is important that the Council maintains adequate reserves.

Expenditure on capital schemes totalled £9.6m, £7.1m being on Housing schemes, and £2.5m on other projects. This expenditure includes the start of the next phase of the Spencer Yard Project where Advantage West Midlands and a private sector partner are contributing to a £10m scheme. Spending on some major projects was deferred until 2010/11. This was mainly due to circumstances beyond the control of the Council, including progress by external bodies or organisations.

At 31 March 2010 the Council held £3.95m in the General Fund Balance, £11.6m in Housing Revenue Account balances and £11.1m in earmarked reserves. The Council has no outstanding debt.

Looking forward, the main financial concern is how the recession and limited public sector finances will impact upon the Council. In addition to the pressures the recession has already brought to the Council, as referred to earlier, the Council is expecting reductions in its Revenue Support Grant from 2011/12. The Council continues to seek to maintain and improve its services. It is therefore vital that further efficiencies are secured, along with identifying new income opportunities. Whilst these are unprecedented times, the Council is well placed for moving forward with the initiatives being undertaken and adequate reserves to support it in the short to medium term.

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FINANCIAL SUMMARY

1. General Fund Summary 2009/10

In February 2009 the Council approved a total net expenditure budget for 2009/10 of £17.9m (excluding Parish Precepts) and set a band D council tax for the district of £143.28. The following table shows how the net expenditure compared to the original estimates:

<u>General Fund Net Service Expenditure</u>	Original £'000	Actual £'000	Variation £'000
Democratic Representation and Management	1,050	818	(232)
Corporate Management	687	1,035	348
Central Services to the Public	729	868	139
Cultural and Related Expenses	6,429	6,459	30
Environmental Services	6,598	6,141	(457)
Planning and Development Services	1,610	4,409	2,799
Highways, Roads and Transport Services	1,111	97	(1,014)
Housing Services	1,439	1,164	(275)
Non Distributed Costs	918	1,092	174
Support Services	(4)	-	4
TOTAL GENERAL FUND NET EXPENDITURE	20,567	22,083	1,516
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(4,235)	(7,783)	(3,548)
- Adjust Loan Repayments, RCCO and Interest Paid	(118)	(114)	4
Net External Interest Received	(378)	(1,155)	(777)
Revenue Contributions to Capital	3,071	1,094	(1,977)
Contributions to / (from) Reserves	(863)	1,539	2,402
Govermemnt Grants Deferred Written-Out	981	1,807	826
FRS17 Adjustments	(795)	381	1,176
Contributions to / (from) General Fund	(308)	(951)	(643)
NET EXPENDITURE FOR DISTRICT PURPOSES	17,922	16,901	(1,021)
Less Council Tax, General Revenue Grants and Collection Fund Deficit	(17,922)	(17,994)	(72)
SURPLUS FOR YEAR	-	(1,093)	(1,093)

The main factors affecting the above table are:

- Several initiatives and revenue programmes that were not completed during 2008/09, amounting to £1,315,800, were carried forward to 2009/10 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 2009/10 of £1,643,100 which have been carried forward to 2010/11 as earmarked reserves.
- Following the Fleming Judicial Review case the Council was able to claim back overpaid V.A.T. from previous years amounting to a net £992,000.
- Salaries, and associated costs, were underspent by £300,000 mainly through the delay in filling vacancies.
- The Council has allocated the surplus 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 21 to 49.

FINANCIAL SUMMARY

2. Housing Revenue Account 2009/10

In February 2009, the Council approved a total net surplus budget on Council Housing for 2009/10 of £625,700 incorporating an estimated average rent increase of £4.32 per week, calculated using government rent restructuring guidelines. The actual average rent of £69.16 for 2009/10 was an increase of £2.08 over the average rent of £67.08 for 2008/09.

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	(22,268)	(22,103)	165
Expenditure	22,544	4,325	(18,219)
Net Cost of HRA Services	276	(17,778)	(18,054)
FRS17 Adjustments	(53)	68	121
Amortised Premiums and Discounts	465	465	0
Interest and Investment Income	(325)	(153)	172
Contribution to / (from) Reserves	(989)	16,352	17,341
(SURPLUS) / DEFICIT FOR YEAR	(626)	(1,046)	(420)

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£20.7m), and other income and charges (£1.2m). See pages 50 to 58 for more details.

3. Balance Sheet

The Balance Sheet reflects assets at their current value, totalling £391m. 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 2009/10 net current assets decreased by £0.052m from £27.873m to £27.821m. The main items being an increase in debtors (+£0.5m net of bad debt provisions), creditors (-£0.6m) and cash at bank (+£3.4m) and a decrease in short term investments and loans (-£3.4m).

A total of £11.1m is held in earmarked reserves. Of this total, £2.0m is held for housing improvement, £3.0m is for future other capital investment and the remaining £6.1m is for specific revenue items. A full list of these reserves can be found on page 42.

A further £3.2m is held for future major housing repairs.

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 2009/10 £76.5m (£73.4m in 2008/09) of Council Tax was received. The precepts and demands on the Collection Fund were: Warwickshire County Council (£59.0m), Warwick District Council (£8.5m of which £1m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£9.0m). A small deficit of £12,361 for the year reduced the opening surplus balance of £115,751 on the Fund to a closing surplus balance of £103,390. 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 (48.5p for 2009/10) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the

FINANCIAL SUMMARY

year. £59.9m of Business Rates (NNDR) was collected during 2009/10 (£57.8m in 2008/09). 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 £8.5m for 2009/10 (£9.1m in 2008/09) from the National Pool. An allowance of £216,500 (£214,800 in 2008/09) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 59 to 62.

5. Capital Expenditure

Capital investment of £9.6m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£6.3 million
- Regeneration	£1.1 million
- Private Sector Renewal and Disabled Facilities Grants	£0.7 million
- Purchase 18A Southbank Road	£0.5 million
- e-government / ICT Strategy / Housing	£0.4 million
- Leisure Facilities	£0.3 million

No major fixed assets were disposed of during the year.

For further details see Note 17 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 2009/10, having repaid its remaining external long term debt in 2003/04.

During 2009/10, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves and revenue (see Note 17 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. 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.

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 2010 this Council's pension fund liability is £34.6m. 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 has increased to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in Note 12 to the Core Financial Statements.

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9. Impact of Economic Climate

2009/10 saw a gradual improvement in the global economic climate with a slight improvement in Housing property values. This is reflected in the value of the Council's fixed assets within the Balance Sheet where the Council Housing stock has increased in value by some £16m. Conversely, the economic decline has caused a reduction of £4m in the value of General Fund fixed assets. This is due to the fact that the majority of the General Fund fixed asset values have been revalued to 1st April 2009 prices from 1st April 2004 prices and, thus, the April 2009 prices reflect the significant drop in process during the latter part of this period.

However, despite this gradual improvement in the Housing market, it is anticipated that the overall economic depression will continue for longer than originally expected with investment interest rates not beginning to rise until March 2011. This will have a negative impact on the Council's investment returns, the effect of which has been factored into forecasts for 2010/11 onwards.

10. Changes in Accounting Policies

The 2009 Statement of Recommended Practice (SORP) requires a change in accounting policy in respect of the Collection Fund. Previously, the balance of the Collection Fund was apportioned between the Council and the two major preceptors – Warwickshire County Council and Warwickshire Police Authority. The amount attributable to the external preceptors was included in the Balance Sheet as part of the debtors or creditors depending on whether the Collection Fund was in surplus or deficit. All arrears, prepayments and bad debt provisions in respect of Council Tax and National Non-Domestic Rates (NNDR) were included in full in the Council's Balance Sheet.

The 2009 SORP now requires the collection of council tax and NNDR to be treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions will be apportioned out and only the Council's apportionment will be included in its Balance Sheet in their respective groups. The net amounts attributable to the other major preceptors and central government will be included as either debtors or creditors depending on the net position for each.

GUIDE TO THE FINANCIAL STATEMENTS

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 16** **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 17** **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 18** **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 19** **Balance Sheet**
This statement shows the overall financial position of the Council as at 31 March 2010. It shows the assets and liabilities of the Council as a whole, excluding the Collection Fund.
- Page 20** **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 50** **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 51** **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 57** **Housing Repairs Account**
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.
- Page 58** **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 59** **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 63** **Statement of Responsibilities for the Statement of Accounts**
This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.
- Page 64** **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 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009 – 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 is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract, 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 5.6%.
- The assets of the Warwickshire County Council Pension Scheme attributable to the Council 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 2009/10, with the exception of expenditure incurred on Microsoft Office licences and Planning Building Control software, 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:

STATEMENT OF ACCOUNTING POLICIES

- 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 additions or enhancements during 2009/10 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 either 31 March or 1 April 2010 valuations. The vast majority of values in the Balance Sheet for General Fund properties are based on 1st April 2009 valuations. These have been updated, where appropriate, for capital expenditure, sales, impairments and depreciation in 2009/10 to provide the value at 31st March 2010 as shown in the Balance Sheet. There are a few properties which are in the process of being revalued to 1st April 2009 prices which are still included at 1st April 2004 or later valuations. A small number of General Fund properties have been valued for the first time during 2009/10 and this is reflected in the Balance Sheet. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency, and the in-house Estates Manager.
- For Housing Revenue Account properties the valuation is based upon the valuation at 1st April 2009 provided by the District Valuer. A number of Housing Revenue Account owned open spaces and sub-station sites have been valued for the first time during 2009/10 and have been included in the Balance Sheet.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account and this has happened in 2009/10 in both the General Fund and Housing Revenue Account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 2009/10. In respect of the Housing Revenue Account fixed assets it was found that, due to a modest increase in property values since 2008/09, the value of the Council's Housing stock had increased by £16m. This has virtually reversed the impairment charge debited to the Housing Revenue Account in 2008/09. With regard to the General Fund fixed assets, the impairment and valuation reverses referred to above resulted in total impairments of £7m, £5m of which was debited to the Income and Expenditure Account. This was offset by £0.8m credited to the Income and Expenditure Account in respect of assets where the value had increased as a result of the impairment review and, therefore, partially reversed the impairment charges made to the Income and Expenditure Account in 2008/09.

Disposals: when an asset is sold, the value of the asset in the Balance Sheet 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.

STATEMENT OF ACCOUNTING POLICIES

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 2010 amounted to £2,310,403. 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.

Depreciation is calculated on the following bases:

Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	5 to 60 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

The above reflects a change in accounting policy for General Fund Buildings which were previously depreciated over a period of 5 to 48 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 based 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 balance 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.

STATEMENT OF ACCOUNTING POLICIES

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

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets e.g. Environmental Health Improvement Grants, has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure 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.

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.

Authority as Lessor

The Council has a number of investment properties which are included on the Balance Sheet that it leases out to commercial enterprises. Rental and service charge income is included in the relevant service revenue account.

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.

STATEMENT OF ACCOUNTING POLICIES

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 2010.
- 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 2010.

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.

STATEMENT OF ACCOUNTING POLICIES

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 fell within this category and any gains or losses incurred on the trading of individual instruments through the year were posted to the Income and Expenditure Account.

Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974.

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.

Agency Income and Expenditure

Expenditure and income relating to agency services is not included in the Income and Expenditure Account since it is not incurred as part of the Council's normal responsibilities. Information in respect of agency work is disclosed as a note to the core financial statements.

The 2009 SORP requires a change in accounting policy in respect of the Collection Fund. Previously, the balance of the Collection Fund was apportioned between the Council and the two major preceptors – Warwickshire County Council and Warwickshire Police Authority. The amount attributable to the external preceptors was included in the Balance Sheet as part of the debtors or creditors depending on whether the Collection Fund was in surplus or deficit. All arrears, prepayments and bad debt provisions in respect of Council Tax and National Non-Domestic Rates (NNDR) were included in the Council's Balance Sheet.

The 2009 SORP now requires the collection of council tax and NNDR to be treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions will be apportioned out and only the Council's apportionment will be included in its Balance Sheet. This change in accounting treatment requires prior year adjustments to be made to various statements.

STATEMENT OF ACCOUNTING POLICIES

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 2008/09 £'000		Notes	Gross Expenditure 2009/10 £'000	Gross Income 2009/10 £'000	Net Expenditure 2009/10 £'000
1,748	Central Services to the Public		10,377	(9,509)	868
7,137	Cultural and Related Services		10,624	(4,165)	6,459
6,959	Environmental Services		8,773	(2,632)	6,141
4,300	Planning and Development Services		8,366	(3,957)	4,409
3,464	Highways, Roads and Transport Services		3,286	(3,189)	97
15,890	Local Authority Housing (HRA)		4,230	(22,103)	(17,873)
2,132	Other Housing Services		30,779	(29,615)	1,164
2,012	Corporate and Democratic Core		1,954	(6)	1,948
278	Non-Distributed Costs		1,092	-	1,092
43,920	Net Cost of Services	1 - 11	79,481	(75,176)	4,305
(39)	Gain or loss on the disposal of fixed assets				675
1,017	Parish Council Precepts				1,038
34	Contribution to Housing Pooled Capital Receipts				262
29	Interest Payable				4
(2,236)	Interest and Investment Income				(1,316)
1	Investment (Gains) / Losses				9
	Pensions Interest Cost and Expected				
1,212	Return on Pensions Assets	12			2,055
43,938	Net Operating Expenditure				7,032
(8,205)	Demand on Collection Fund				(8,529)
(1,636)	General Government Grants	14			(2,046)
(9,089)	Non-Domestic Rates Distribution				(8,455)
25,008	Net General Fund (Surplus) / Deficit				(11,998)

The 2008/09 comparative figures have been restated following the SORP change in the treatment of the Collection Fund.

There have not been any acquired or discontinued services during the year.

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.

2008/09 £'000	Notes	2009/10 £'000
25,008	(Surplus) / Deficit for the year on the Income and Expenditure Account	(11,998)
(25,298)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	11,857
<u>(290)</u>	(Increase) / Decrease in General Fund Balance	(141)
<u>(3,517)</u>	General Fund Balance brought forward	(3,807)
<u><u>(3,807)</u></u>	General Fund Balance carried forward	(3,948)

The 2008/09 comparative figures have been restated following the SORP change in the treatment of the Collection Fund.

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.

2008/09 £'000		Notes	2009/10 £'000
25,008	(Surplus) / Deficit for the year on the Income and Expenditure Account		(11,998)
12,868	(Surplus) / Deficit arising on revaluation of fixed assets		(723)
(1,685)	Actuarial (gains) / losses on pension fund assets and liabilities	12	9,026
(18)	Unrealised Gains on Invesco Portfolio	24c	18
<u>36,173</u>	Total recognised (gains) / losses for the year		<u>(3,677)</u>

BALANCE SHEET

413,436	Net Worth 1 April	377,263
377,263	Net Worth 31 March	380,940
<u>(36,173)</u>	Increase / (Decrease) in Net Worth	<u>3,677</u>

The 2008/09 comparative figures have been restated following the SORP change in the treatment of the Collection Fund.

BALANCE SHEET

2009 £'000		Notes	2010 £'000	2010 £'000
	CAPITAL ASSETS			
210	INTANGIBLE ASSETS	16		195
	TANGIBLE FIXED ASSETS			
	Operational Assets:			
295,926	Council Dwellings		314,186	
6,475	HRA Land and Buildings		6,117	
53,002	Other Land and Buildings		49,107	
3,606	Vehicles, Plant, Furniture and Equipment		3,489	
845	Infrastructure Assets		822	
6,594	Community Assets		6,555	
	Non-Operational Assets			
9,094	Investment Properties		9,154	
576	Assets under Construction		362	
787	Surplus Assets held for disposal		909	390,701
377,115	TOTAL FIXED ASSETS	17 - 19		390,896
2	Long Term Investments			2
67	Long Term Debtors			44
377,184	TOTAL LONG TERM ASSETS			390,942
	CURRENT ASSETS			
11	Stocks and Work-in-Progress		16	
9,104	Debtors	20	9,746	
(1,270)	Less Bad Debts Provisions	20	(1,372)	
437	Cash and Bank		3,857	
29,280	Investments	28	25,904	38,151
414,746	TOTAL ASSETS			429,093
	CURRENT LIABILITIES			
0	Borrowing Repayable on demand or within 12 months		0	
(9,689)	Creditors	21	(10,330)	
0	Bank Overdraft		0	(10,330)
405,057	TOTAL ASSETS LESS CURRENT LIABILITIES			418,763
	Long-term liabilities			
0	Borrowing Repayable within a period in excess of 12 months		0	
(596)	Provisions	22	(382)	
(3,215)	Government Grants Deferred & External Contributions		(2,851)	
(56)	Deferred Credits		(32)	
0	Deferred Liabilities		0	
(23,927)	Liability related to defined benefit pension scheme	12	(34,558)	(37,823)
377,263	TOTAL ASSETS LESS LIABILITIES	23		380,940
	FINANCED BY:			
9,016	Revaluation Reserve	24a		9,118
364,319	Capital Adjustment Account	24b		378,362
18	Available-for-sale Financial Instruments Reserve	24c		0
(1,311)	Financial Instruments Adjustment Account	24d		(965)
3,707	Usable Capital Receipts Reserve	24e		2,310
(23,927)	Pensions Reserve	12		(34,558)
7,315	Housing Revenue Account Balance	24		8,361
3,903	Major Repairs Reserve	24		3,218
3,807	General Fund Revenue Balance	24		3,948
10,403	Earmarked Reserves	24f		11,134
13	Collection Fund Adjustment Account	24		12
377,263		23		380,940

The 2008/09 comparative figures have been restated following the SORP change in the treatment of the Collection Fund.

CASH FLOW STATEMENT

Year Ended 31 March 2009 £'000		Notes	Year Ended 31 March 2010 £'000 £'000	
REVENUE ACTIVITIES				
(4,798)	Net cash (inflow)/outflow from Revenue Activities	27		(4,112)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
1	Interest paid		4	
20	Interest element of finance lease rental payments		-	4
Cash Inflows				
(2,222)	Interest received			(2,169)
(6,999)				(6,277)
CAPITAL ACTIVITIES				
Cash Outflows				
9,835	Purchase of fixed assets		7,194	
-	Purchase of long term investments	28	3,500	
1,728	Other capital cash payments		1,662	12,356
Cash Inflows				
(162)	Sale of fixed assets		(340)	
(500)	Capital Grants received	30	(464)	
(10)	Sale of long term investments			
(4,000)	Sale of short term investments		-	
(3,146)	Other capital cash receipts		(2,700)	(3,504)
(3,254)	NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING			2,575
MANAGEMENT OF LIQUID RESOURCES				
-	Net increase / (decrease) in short term deposits		-	
2,841	Net increase / (decrease) in other liquid assets	28	(5,995)	(5,995)
(413)				(3,420)
FINANCING				
Cash Outflows				
-	Repayments of amounts borrowed		-	
4	Capital element of finance lease rental payments		-	-
Cash Inflows				
-	New short term loans			-
(409)	NET (INCREASE) / DECREASE IN CASH			(3,420)

The 2008/09 comparative figures have been restated following the SORP change in the treatment of the Collection Fund.

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Undischarged Obligations arising from long-term contracts

In 2010/11 the authority is committed to making payments estimated at £8.4m 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	£4.4	2013
Lovell	Council Housing kitchen and bathroom refurbishments	£1.7	2013
Glendale	Grounds maintenance of parks and open spaces	£1.4	2013
Wrekin Windows	Council Housing window and door replacements	£0.9	2013

2. Publicity Expenditure

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

	2009/10 £'000	2008/09 £'000
Recruitment Advertising	34	120
Tourism Promotion	289	285
Other Advertising	187	191
Other Publicity	75	80
Total Publicity	585	676

3. Building Control Trading Account

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

Building Regulations Charging Account	Chargeable 2009/10 £'000	Non- Chargeable 2009/10 £'000	Total Building Control 2009/10 £'000
Expenditure	413	154	567
Income	(444)	-	(444)
(Surplus) / Deficit for Year	(31)	154	123
2008/09 Net (Income) / Expenditure	5	196	201

NOTES TO THE CORE FINANCIAL STATEMENTS

4. Agency Income and Expenditure

In August 2007 the Decriminalisation of Parking Enforcement was introduced within the Council's area. This moved parking enforcement from Warwickshire Police Authority to Warwickshire County Council and saw the introduction of on-street parking charges 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:

	2009/10	2008/09
	£'000	£'000
Direct Costs	128	184
Proportion of Shared Costs	789	834
Administrative Costs	155	159
Income	(1,933)	(2,022)
Net Surplus paid to Warwickshire County Council	<u>(861)</u>	<u>(845)</u>

5. Members' Allowances

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

The total value of allowances paid to this authority's members during 2009/10 was:

	2009/10	2008/09
	£'000	£'000
Allowances:		
Basic	213	212
Special Responsibility	60	59
Total Allowances	<u>273</u>	<u>271</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Senior Officer Remuneration

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

Post Title		Salary (inc Fees & Allowances) £	Pension Contribution £	Total Remuneration Inc Pension Contribution £
Chief Executive	2009/10	114,935	14,887	129,822
	2008/09	103,760	14,008	117,768
Deputy Chief Executive Note 1	2009/10	83,629	11,875	95,504
	2008/09	-	-	-
Deputy Chief Executive Note 1	2009/10	78,000	11,076	89,076
	2008/09	-	-	-
Director of Corporate Resources / S151 Officer Note 1	2009/10	70,406	9,993	80,399
	2008/09	72,632	9,805	82,437
Director of Planning & Development Note 1	2009/10	-	-	-
	2008/09	76,168	10,283	86,451
Director of Customer Services & Information Note 1	2009/10	-	-	-
	2008/09	46,445	4,744	51,189
Monitoring Officer	2009/10	58,351	8,282	66,633
	2008/09	37,461	4,589	42,050
TOTALS	2009/10	405,321	56,113	461,434
TOTALS	2008/09	336,466	43,429	379,895

Note 1 The Council underwent a restructure during 2008/09 whereby the three Directors were replaced by two Deputy Chief Executives

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Officers' Emoluments

The numbers of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

	Number of Employees			
	Total 2009/10	Left in Year	Total 2008/09	Left in Year
£50,000 - £54,999	1	-	4	1
£55,000 - £59,999	3	-	7	1
£60,000 - £64,999	2	1	1	-
£65,000 - £69,999	-	-	2	1
£70,000 - £74,999	2	2	-	-
£75,000 - £79,999	-	-	-	-
£80,000 - £84,999	1	1	2	2
£85,000 - £89,999	-	-	-	-
£90,000 - £94,999	-	-	-	-
£95,000 - £99,999	-	-	1	1
£100,000 - £104,999	-	-	-	-
£105,000 - £109,999	-	-	-	-
£110,000 - £114,999	-	-	1	1

The above figures do not include those staff identified in note 6.

8. 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 30. Amounts outstanding at the year end are included in notes 20 and 21.

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 12 to the Core Financial Statements.

Precepting Bodies:

The various Town and Parish Councils in the Council's area issue precepts on the Council. For 2009/10 the precepts issued totalled £1,037,510. The major preceptors were:

	£'000
Warwick Town Council	285
Royal Leamington Spa	284
Kenilworth Town Council	130
Whitnash Town Council	88

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

NOTES TO THE CORE FINANCIAL STATEMENTS

Council Members, the Chief Executive and two Deputy Chief Executives also make annual declarations in respect of any Related Party Transactions they may have.

Council Members have direct control over the Council's financial and operating policies. Grants totalling £231,500 were paid to voluntary organisations in which fourteen members had an interest. The grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. The major grants awarded were:

	£'000
Citizens' Advice Bureau	100
Hill Close Gardens Trust	25
Warwickshire Race Equality Partnership	24
Action 21	21
Warwick District Mobility Ltd	15

In addition, three councillors are on the board of Shakespeare County (formally South Warwickshire Tourism Limited) - during 2009/10 the Council made a contribution of £246,500 (£239,300 in 2008/09) towards their activities.

Details of Members' Allowances are disclosed in note 5 and Officer Salaries are disclosed in notes 6 and 7.

9. Audit Costs

In 2009/10 the Council incurred the following fees relating to external audit and inspection:

	2009/10 £'000	2008/09 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	117	117
Fees payable to the Audit Commission in respect of statutory inspection	8	6
Fees payable to the Audit Commission for the certification of grant claims and returns	39	54
Fees payable in respect of other services provided by the appointed auditor	3	1
TOTAL PAID	167	178

The fees for other services payable in 2009/10 is in respect of the National Fraud Initiative.

10. Operating Leases

The Council uses photocopiers, printers and telephone equipment financed under terms of operating leases. The amount paid under these arrangements during 2009/10 was £35,156 (2008/09 £37,378).

The Council was committed at 31 March 2010 to making payments of £35,156 under operating leases in 2010/11, comprising the following elements:

Leases expiring in 2010/11	£34,580
Leases expiring between 2011/12 and 2015/16	£576
Leases expiring after 2015/16	£0

NOTES TO THE CORE FINANCIAL STATEMENTS

11. 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 2009/10 Warwick District Council's contribution was £246,500 (£239,300 in 2008/09). The Company went into liquidation at the end of 2009/10 when it failed to secure funding for 2010/11 from one of its major investors.

The company had 261 members at 31 March 2010 (261 at 31 March 2009) each guaranteeing an amount not exceeding £1 (Warwick District Council held 0.38% of the total share holding). There were 13 directors on the company's board of which 2 were Warwick District Council members.

The financial performance of the company is as follows:

	2009/10	2008/09
	£	£
Net Assets at 31 March	awaited	108,709
Profit / (Loss) before tax	awaited	(52,684)
Profit / (Loss) after tax	awaited	(52,684)

12. 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 defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions' liabilities with investment assets.

Transactions Relating to Retirement Benefits

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

NOTES TO THE CORE FINANCIAL STATEMENTS

	2009/10 £'000	2008/09 £'000
Income and Expenditure Account		
Net Cost of Services:		
- current service cost	1,363	2,082
- past service costs	46	-
- loss on curtailment	144	13
Net Operating Expenditure:		
- interest cost	5,145	5,246
- expected return on assets in the scheme	<u>(3,090)</u>	<u>(4,034)</u>
Net Charge to the Income and Expenditure Account	3,608	3,307

Statement of Movement in the General Fund Balance

Reversal of net charges made for retirement benefits in Accordance with FRS17	<u>(3,608)</u>	<u>(3,307)</u>
Effect on Council Tax	<u>-</u>	<u>-</u>
Actual amount charged against the General Fund Balance for pensions in the year:		
- employer's contributions payable to scheme	2,003	1,736

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £9,026,000 (£1,881,000 gain in 2008/09) 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 a loss of £9,383,000.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2009/10 £'000	2008/09 £'000
1 April	(73,101)	(86,179)
Current service cost	(1,363)	(2,082)
Interest cost	(5,145)	(5,246)
Contributions by scheme participants	(776)	(773)
Actuarial gains and (losses)	(22,743)	17,974
Curtailments	(144)	(13)
Benefits paid	3,411	3,218
Past service costs	(46)	-
31 March	<u>(99,907)</u>	<u>(73,101)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of fair value of the scheme assets:

	2009/10	2008/09
	£'000	£'000
1 April	49,174	62,138
Expected rate of return	3,090	4,034
Actuarial gains and (losses)	13,717	(16,289)
Employer contributions	2,003	1,736
Contributions by scheme participants	776	773
Benefits paid	(3,411)	(3,218)
	<hr/>	<hr/>
31 March	65,349	49,174
	<hr/>	<hr/>

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 £16,807,000 (2008/09: £12,059,000).

Scheme history:

	2005/06	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(83,458)	(83,940)	(86,179)	(73,101)	(99,907)
Fair value of assets	63,518	66,826	62,138	49,174	65,349
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Surplus / (Deficit)	(19,940)	(17,114)	(24,041)	(23,927)	(34,558)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The liabilities show underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £34.6m 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 2011 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:

	2009/10	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.5%
Bonds	4.5%	4.0%
Other	7.5%	7.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.2 years	21.2 years
Women	24.1 years	24.0 years
Longevity at 65 for future pensioners:		
Men	22.2 years	22.2 years
Women	25.0 years	25.0 years
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	5.1%	5.1%
Rate of increase in pensions	3.3%	3.3%
Rate of discounting scheme liabilities	5.6%	7.1%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2009
	%	%
Equities	67	63
Government Bonds	9	10
Other Bonds	13	15
Property	4	5
Cash / Liquidity	2	2
Other	5	5
Total	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	13.8%	0.8%	9.3%	32.7%	21.0%
Experience gains and losses on liabilities	2.0%	0.0%	3.7%	0.0%	0.0%

There is an inconsistency between the total scheme assets as determined by the actuary and the total scheme assets as per the pension scheme accounts. This is because the actuary has estimated the value of assets using the actual return on assets to December 2009 and has estimated the return on assets for January to March 2010.

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Contingent Liabilities

A Judicial Review of the Warwickshire Concessionary Fares Scheme (of which Warwick District Council is a member) has taken place. The Review found that the Council is liable for additional capacity costs which are used in the calculation of the reimbursement to operators. The calculation factors of the additional costs are currently being agreed with the operators. 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, 2009/10 and 2010/11. However, there is considerable uncertainty in the outcome of the discussions.

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 Council has allocated £100,000 in 2010/11 to cover potential costs.

14. General Government Grants

The following general grants have been received:

	2009/10	2008/09
	£'000	£'000
Revenue Support Grant	1,951	1,265
Local Authority Business Growth Incentive Grant	72	348
Area Based Grant	23	23
	<hr/> 2,046 <hr/>	<hr/> 1,636 <hr/>

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2008/09 £'000		2009/10 £'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	
(408)	Amortisation of intangible fixed assets	(356)
(25,490)	Depreciation and impairment of fixed assets	9,741
	Excess of depreciation charged HRA Services over the Major Repairs	
(907)	Allowance element of Housing Subsidy	(585)
592	Government Grants Deferred amortisation	1,808
(1,126)	Write-downs of Revenue Expenditure Funded from Capital Under Statute	(1,278)
39	Net surplus / (loss) on sale of fixed assets	(675)
-	Deferred premiums on the early repayment of debt transferred from General Fund Balance to Financial Instruments	-
374	Difference between stat debit/credit and amount recognised as income and expenditure in respect of financial instruments	346
(3,307)	Net charges made for retirement benefits in accordance with FRS 17	(3,608)
<u>(30,233)</u>		<u>5,393</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	-
36	Capital expenditure charged in-year to the General Fund Balance	1,094
	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	
(34)		(262)
1,736	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	2,003
<u>1,738</u>		<u>2,835</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	
1,181	Housing Revenue Account Balance	1,046
-	Voluntary Revenue provision for capital financing	-
19	Transfer to Collection Fund Adjustment Account	(1)
1,997	Net transfer to or from earmarked reserves	2,584
<u>3,197</u>		<u>3,629</u>
<u>(25,298)</u>	Net additional amount required to be (credited) / debited to the General Fund balance for the year	<u>11,857</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Intangible Fixed Assets / Revenue Expenditure Financed from Capital Under Statute

	Balance at 1 April 2009 £'000	Expenditure £'000	Amortised To Revenue £'000	Balance at 31 March 2010 £'000
General Fund:				
- Purchased Software inc Licences / Consultancy	210	294	(309)	195
- Improvement Grants	-	716	(716)	-
- Other	-	505	(505)	-
Housing Revenue Account:				
- Purchased Software inc Licences / Consultancy and Assisted Elderly Persons' Transfer Scheme	-	104	(104)	-
Total	210	1,619	(1,634)	195

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. In addition, any Consultancy services expenditure incurred in implementing the software has been amortised to revenue in 2009/10.

Financial Management System:	4 years	– Amount amortised to revenue £5,300
New Committee System:	perpetual	– Amount amortised to revenue £4,000
Microsoft Office upgrades:	3 years	– Amount amortised to revenue £17,040
Electronic Database Licences:	3 years	– Amount amortised to revenue £1,410
e-Consultation Software :	8 years	– Amount amortised to revenue £44
VMWare Premier add on for Virtual Desktops: Perpetual	perpetual	– Amount amortised to revenue £12,882

In addition, Consultancy services were incurred in implementing I.T. capital projects, such as the Human Resources System (£26,000), Agile Working (£16,000), Website Development (£65,000) and Intel Wireless Project (£11,000). This expenditure falls into Intangible Assets in line with the software on which the consultants worked but has no future life, like the software itself, and was fully amortised to revenue in 2009/10.

The “Other” expenditure of £505,000 was related to various grants such as Rural Initiatives (£43,000), Housing Associations (£100,000) and Conservation (£59,000). It also includes expenditure on Lillington and Whitnash One-Stop-Shops (£18,000) and Brunswick Hub (£260,000), which are not owned by the Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

17. 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 2009	340,753	7,792	63,449	5,086	886	6,660	424,626
Additions	5,988	-	556	638	-	-	7,182
Donations	-	-	-	-	-	-	-
Disposals	(113)	-	-	-	-	-	(113)
Reclassifications	-	-	154	-	-	-	154
Revaluations	15,994	181	2,331	-	-	-	18,506
At 31 March 2010	362,622	7,973	66,490	5,724	886	6,660	450,355
Depreciation (straight line basis) and impairments							
At 1 April 2009	(44,827)	(1,317)	(10,447)	(1,480)	(41)	(66)	(58,178)
Depreciation charge for 2009/10	(3,609)	(539)	(1,619)	(755)	(23)	(39)	(6,584)
Impairments (Economic)	-	-	-	-	-	-	-
Impairments (Valuation)	-	-	(5,317)	-	-	-	(5,317)
At 31 March 2010	(48,436)	(1,856)	(17,383)	(2,235)	(64)	(105)	(70,079)
Balance Sheet amount at 31 March 2010	314,186	6,117	49,107	3,489	822	6,555	380,276
Balance Sheet amount at 1 April 2009	295,926	6,475	53,002	3,606	845	6,594	366,448
Nature of asset holding							
Owned	314,186	6,117	49,107	3,489	822	6,555	380,276
Finance lease	-	-	-	-	-	-	-
PFI	-	-	-	-	-	-	-
	314,186	6,117	49,107	3,489	822	6,555	380,276

Non-Operational assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets Held for Disposal £'000	Total £'000
Cost or valuation				
At 1 April 2009	10,125	576	881	11,582
Additions	-	348	469	817
Donations	-	-	-	-
Disposals	-	-	-	-
Reclassifications	408	(562)	-	(154)
Revaluations	793	-	467	1,260
At 31 March 2010	11,326	362	1,817	13,505
Depreciation (straight line basis) and impairments				
At 1 April 2009	(1,031)	-	(94)	(1,125)
Depreciation charge for 2009/10	-	-	(12)	(12)
Impairments (Economic)	-	-	-	-
Impairments (Valuation)	(1,141)	-	(802)	(1,943)
At 31 March 2010	(2,172)	-	(908)	(3,080)
Balance Sheet amount at 31 March 2010	9,154	362	909	10,425
Balance Sheet amount at 1 April 2009	9,094	576	787	10,457
Nature of asset holding				
Owned	9,154	362	909	10,425
Finance lease	-	-	-	-
PFI	-	-	-	-
	9,154	362	909	10,425

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Expenditure and Financing

	2009/10 £'000	2008/09 £'000
Opening Capital Financing Requirement	(1,697)	(1,697)
Capital Investment:		
Operational Assets	7,182	9,150
Non-Operational Assets	817	553
Intangible Assets / Revenue expenditure funded from capital under statute / Long Term Debtors	1,622	1,510
Sources of Finance:		
Capital Receipts	(1,502)	(2,525)
Government grants and other contributions	(1,444)	(2,652)
Major Repairs Account	(4,332)	(3,975)
Sums set aside from revenue	(2,343)	(2,061)
	<hr/>	<hr/>
Closing Capital Financing Requirement	(1,697)	(1,697)
	<hr/> <hr/>	<hr/> <hr/>

Capital expenditure during the year amounted to £9.6m. Some of this expenditure is on the Council's own assets such as the Council's housing stock or on assets used by the Council, for instance intangible assets such as software and thus is reflected in the value of assets shown in the Balance Sheet. However, expenditure such as consultancy costs is also incurred in bringing into operation those intangible assets shown in the balance sheet and because this has no lasting benefit to the Council i.e. it is consumed in the year that the software is installed, it is written off in that same year and is not reflected in the value of Intangible Assets shown in the balance sheet. The Council also incurs capital expenditure on grants such as Environmental Health Improvements and Rural Initiatives which is classed as Revenue Expenditure Funded From Capital Under Statute and because this does not translate into a physical asset owned by the Council it too is written off in the year and does not appear in the balance sheet. Together, Intangible Assets and Revenue Expenditure Funded From Capital Under Statute written off in the year accounted for £1.54m of the Council's 2009/10 capital expenditure.

The main items of capital expenditure in 2009/10 were:

	£'000
General Fund Capital Programme:	
Regeneration Projects	1,053
Purchase of 18A Southbank Road	474
e-government and ICT Strategy	385
Leisure Facilities	271
Housing Investment Programme:	
Housing Improvements - Improvements / Renewals	6,272
- Renovation Grants / Loans	718
Housing Associations - Grants re new Dwellings / Improvements	100

NOTES TO THE CORE FINANCIAL STATEMENTS

Significant capital expenditure projects in 2010/11 include:

	£'000
General Fund:	
Spencers Yard	4,101
Kenilworth Public Service Centre	536
Riverside House - One Stop Shop	298
Car Park Enhancements	278
Rural Initiative Grants	262
Conservation Action Programme	228
Replacement IT Equipment	224
St. John's Brook Flood Alleviation Scheme	201

Housing Investment Programme:

Council House Improvements / Renewals	5,331
Housing Associations - Grants re New Dwellings / Improvements	1,305
Renovation Grants and Disabled Facilities Grants	1,023
Energy Conservation Works	241

Significant contracts outstanding from 2009/10 (included in 2010/11 figures above) include:

	£'000
General Fund Capital Programme:	
Spencers Yard	1,468
Riverside House - One Stop Shop	298
Rural Initiative Grants	162
Housing Investment Programme:	
Housing Association Schemes	500

18. Statement of Physical Assets

The Council maintained the following assets at 31 March 2010:

	Nos.		Nos.
Council Dwellings (H.R.A. and Others)	5,801	Cemeteries	4
Council Garages (H.R.A. and Others)	2,063	Crematorium	1
Town Hall	1	Parks and Open Spaces (acres)	1,214
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)	117
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

19. Fixed Asset Valuations

The values of the Council Dwellings and Other HRA Land and Buildings in Note 17 above and the Balance Sheet are based on valuations at 1 April 2009 and have been adjusted for new assets (mainly small bits of land), depreciation, capital expenditure in 2009/10 and the sale of 3 Council houses. In respect of the Housing stock, the District Valuer has given an initial indication that the valuation to be carried out on 1st April 2010 will result in a 7.52% increase in the value of the stock and this has been reflected in the 31st March 2010 Balance Sheet value. The full valuation is expected during July and the Balance Sheet will be updated accordingly. With the exception of land, the assets in the Housing Revenue Account are subject to an annual "desktop" review with a full revaluation once every five years, the next being on 1 April 2010. Other than land, the valuations were undertaken by Mr. B. Franklin MRICS for the District Valuer. The land valuations were provided by Mr. I. Wilson MRICS, also for the District Valuer, and Mr. C. Makasis MRICS, the Council's in-house Estate Manager. A full revaluation of the General Fund assets by the District Valuer has been taking place and for those assets where 1 April 2009 values have been returned, the 1 April 2009 value has been included in Note 17 and the balance sheet. The values in Note 17 and the Balance Sheet also take account of any depreciation, impairments and in year capital expenditure which has occurred since the 1st April 2009 valuation.

Due to the continuing poor economic conditions prevailing in 2009/10, the District Valuer (Mr. I. Wilson and others) has also undertaken an impairment review on the Council's fixed assets and this information has been used in providing the 31st March 2010 values in the Balance Sheet. From 2010/11 one fifth of the General Fund assets will be valued in each succeeding year in order to provide more up to date Balance Sheet values than would occur with a wholesale revaluation once every five years.

Operational Fixed Assets, excluding Community Assets, Infrastructure Assets and Equipment are valued at open market value for existing use or depreciated replacement cost based on modern equivalent assets (MEA). Community and Infrastructure Assets are valued at historical cost as are Equipment Assets due to the nature of their short lives. 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	5,989	7,802	3,489	17,280
Valued at current value in:				
- 2009/10	171	36,305	-	36,476
- 2008/09	314,143	22,717	-	336,860
- 2004/05 *	-	85	-	85
Total	<u>320,303</u>	<u>66,909</u>	<u>3,489</u>	<u>390,701</u>

* These assets are currently being valued by the District Valuer and consist of Victoria Park Bowling Greens and an area of land at Edmondscote, Leamington Spa.

NOTES TO THE CORE FINANCIAL STATEMENTS

20. Debtors and Bad Debt Provisions

The debtors and associated bad debt provisions at 31 March 2010 can be analysed into the following categories:

	2010	2009
	£'000	£'000
Debtors:		
Central Government	3,254	2,938
Council Tax Payers	199	195
Council Tax Payers - WCC and WPA	566	489
Housing Tenants	1,880	1,677
Housing Benefits - Rent Allowances	692	529
Other Debtors	3,155	3,276
	<hr/>	<hr/>
TOTAL DEBTORS	9,746	9,104
	<hr/>	<hr/>
Bad Debt Provisions:		
Council Tax Payers	(43)	(43)
Housing Tenants	(938)	(862)
Housing Benefits - Rent Allowances	(235)	(200)
Other Debtors	(156)	(165)
	<hr/>	<hr/>
TOTAL BAD DEBT PROVISIONS	(1,372)	(1,270)
	<hr/>	<hr/>

The comparative figures for 2009 have been restated following the change in the 2009 SORP in respect of the treatment of the Collection Fund. All NNDR transactions (debtors, bad debt provision and prepayments [included in creditors below] are treated as a single debtor under Central Government. In respect of Council Tax transactions all debtors, bad debt provision and prepayments are apportioned to the major preceptors (Warwickshire County Council, Warwickshire Police Authority and Warwick District Council) in proportion to their respective precepts. Only Warwick District Council's elements remain in their constituent parts. The net amounts due from Warwickshire County Council and Warwickshire Police Authority are included in "Other Debtors" in the table above.

21. Creditors

The creditors outstanding at 31 March 2010 can be analysed into the following categories:

	2010	2009
	£'000	£'000
Creditors:		
Year end accruals	4,138	4,288
Income in advance	599	499
Central Government	1,584	1,461
Council Tax / Housing Tenants	244	268
Waste Management Contractor	350	1,145
External Contributions towards capital schemes	1,882	1,097
Other creditors	1,533	931
	<hr/>	<hr/>
TOTAL CREDITORS	10,330	9,689
	<hr/>	<hr/>

The comparative figures for 2009 have been restated following the change in the 2009 SORP in respect of the treatment of the Collection Fund. All NNDR transactions (debtors, bad debt provision [in Note 20 above] and prepayments [creditors] are treated as a single debtor under Central Government. In respect of Council Tax transactions all debtors, bad debt provision and prepayments are apportioned to the major preceptors (Warwickshire County Council, Warwickshire Police Authority and Warwick District Council) in proportion to their respective precepts. Only Warwick District Council's elements remain in

NOTES TO THE CORE FINANCIAL STATEMENTS

their constituent parts. The net amounts due from Warwickshire County Council and Warwickshire Police Authority are included in "Other Debtors" in the table in Note 20.

22. 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 2010 where such excesses have been negotiated when agreeing premiums. Provision for these insurance commitments is £381,740. A separate Provision is maintained for the General Fund (£297,757) and the Housing Revenue Account (£83,983).

	Balance at 1 April 2009 £'000	Transfers To Provision £'000	Transfers From Provision £'000	Balance at 31 March 2010 £'000
General Fund:				
- Insurance Provision	298	69	(69)	298
Housing Revenue Account:				
- Insurance Provision	298	(25)	(189)	84
TOTAL	<u><u>596</u></u>	<u><u>44</u></u>	<u><u>(258)</u></u>	<u><u>382</u></u>

23. Net Assets Employed

	31 March 2010 £m	31 March 2009 £m
General Fund	101	113
Housing Revenue Account	280	264
Total	<u><u>381</u></u>	<u><u>377</u></u>

NOTES TO THE CORE FINANCIAL STATEMENTS

24. 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 2009 £'000	Net Movement in Year £'000	Balance 31 March 2010 £'000	Purpose of Reserve	Further Detail of Movements
Revaluations Reserve	9,016	102	9,118	Store of gains on revaluation of fixed assets not yet realised through sales	(a) below
Capital Adjustment Account	364,319	14,043	378,362	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	(1,311)	346	(965)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(d) below
Usable Capital Receipts	3,707	(1,397)	2,310	Proceeds of fixed asset sales available to meet future capital investment	(e) below
Pensions Reserve	(23,927)	(10,631)	(34,558)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 12 to the Core Financial Statements, page 26
Housing Revenue Account	7,315	1,046	8,361	Resources available to meet future running costs for council houses	Statement of Movement on the HRA Balance, page 51
Major Repairs Reserve	3,903	(685)	3,218	Resources available to meet capital investment in council housing	MRR Statement, page 58
General Fund	3,807	141	3,948	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 17
Earmarked Reserves	10,403	731	11,134	Resources set aside to meet future capital expenditure and for specific revenue schemes	(f) below
Collection Fund Adjust. A/c	13	(1)	12	Element of Collection Fund Surplus / (Deficit) attributable to WDC	See Collection Fund Note 5, page 61
Total	377,263	3,677	380,940		

NOTES TO THE CORE FINANCIAL STATEMENTS

(a) Revaluations Reserve:

	£'000
Balance 1 April 2009	9,016
New Assets in year	-
Upward revaluations during year	2,920
Impairments charged to Reserve in year	(2,521)
Transfer to Capital Adjustment Account re depreciation adjustment on revalued assets	(297)
Balance 31 March 2010	9,118

(b) Capital Adjustment Account:

	£'000	£'000
Balance brought forward 1 April 2009		364,319
Credits to the Reserve:		
- Government Grants Deferred written out	1,808	
- Capital Expenditure financed from Capital Receipts	1,502	
- Capital Expenditure financed from Revenue and Reserves	6,675	
- Reversal of impairments credited to I & E Account	16,846	
- Transfer from Revaluation Reserve re depreciation adjustment on revalued assets	297	
	<u>297</u>	27,128
		391,447
Debits to the Reserve:		
- Intangible Assets written out	(357)	
- Revenue Expenditure Funded From Capital Under Statute	(1,278)	
- Minimum Revenue Provision (M.R.P.) - net of depreciation	(6,597)	
- Reversal of Balance Sheet carrying amount of HRA land sold	(113)	
- Reversal of impairments charged to I & E Account	(4,740)	
	<u>(4,740)</u>	(13,085)
BALANCE CARRIED FORWARD 31 MARCH 2010		378,362

(c) Available-for sale Financial Instruments Account:

	£'000
Balance 1 April 2009	18
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 2010	-

NOTES TO THE CORE FINANCIAL STATEMENTS

(d) Financial Instruments Adjustment Account:

	£'000
Balance 1 April 2009	(1,311)
Overhanging Premia transferred to Account / Amortised to revenue in year	346
Transactions with other reserves during the year	-
	<hr/>
Balance 31 March 2010	<u>(965)</u>

(e) Useable Capital Receipts:

	£'000	£'000
Balance brought forward 1 April 2009		3,707
Useable Capital Receipts Received		
- General Fund	-	
- Housing Revenue Account	367	367
	<hr/>	<hr/>
		4,074
Amount payable to Housing Capital Receipts Pool		(262)
Capital Expenditure financed in year		
- General Fund	(1,148)	
- Housing Revenue Account	(354)	(1,502)
	<hr/>	<hr/>
BALANCE CARRIED FORWARD 31 MARCH 2010		<u>2,310</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

(f) Earmarked Reserves:

	Balance 1 April 2009 £'000	Movement in Year £'000	Balance 31 March 2010 £'000
<u>GENERAL FUND</u>			
Capital Reserves			
Capital Investment	2,831	(73)	2,758
Corporate Property	160	4	164
Gym Equipment	92	(29)	63
Total Capital Reserves	3,083	(98)	2,985
Specific Revenue Reserves			
Grounds Maintenance Commuted Sums	583	(57)	526
Insurance	347	7	354
Election Expenses	22	30	52
Art Fund	41	(1)	40
Energy Management	57	27	84
Best Value	62	(62)	-
Assembly Rooms Repairs and Renewals	6	1	7
Art Gallery Gift	53	2	55
Planning Appeals	187	363	550
Early Retirement	505	(193)	312
Building Control	51	32	83
Equipment Renewals	1,082	367	1,449
Invest To Save	-	947	947
Earmarked Revenue Expenditure slipped from 2008/09 to 2009/10	-	-	-
Earmarked Revenue Expenditure slipped from 2009/10 to 2010/11	1,470	173	1,643
Total Specific Revenue Reserves	4,466	1,636	6,102
TOTAL GENERAL FUND	7,549	1,538	9,087
<u>HOUSING REVENUE ACCOUNT</u>			
Housing Repairs Reserves			
Housing Repairs Account	2,804	(815)	1,989
Specific Revenue Reserves			
Housing Early Retirement	50	8	58
TOTAL HOUSING REVENUE ACCOUNT	2,854	(807)	2,047
TOTAL EARMARKED RESERVES	10,403	731	11,134

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Categories of Financial Assets and Financial Liabilities

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

	31 March 2009 £'000	31 March 2010 £'000
Financial Assets:		
Loans and Receivables	36,555	41,355
Available for Sale Financial Assets	18	-
Unquoted Equity Investment at Cost	-	-
Fair Value through Profit and Loss	5,323	-
Financial Liabilities:		
Amortised Cost	(11,699)	(11,466)
Fair Value through Profit and Loss	-	-

During 2009/10 the Council did not need to reclassify, derecognise or impair any Financial Assets or Financial Liabilities nor were there any gains, losses or impairments incurred on any financial assets or liabilities other than in the Invesco Portfolio as related below.

The Fair Value Through Profit and Loss figure at 31 March 2009 relates to the portfolio of investments then managed by Invesco. The portfolio was taken back in-house on 31 March 2010 and, therefore, there is no corresponding figure for 31 March 2010. During 2009/10 there was a net loss of £9,054 on the capital transactions within the portfolio which has been charged to the Income and Expenditure Account in accordance with the SORP. The net loss of £9,054 is after taking account of the £18,124 unrealised gains held as Available for Sale Financial Assets at 31 March 2009.

In respect of interest earned on Loans and Receivables investments, the Council earned £710,991 in 2009/10 (2008/09 £1,948,388) and on investments categorised as Financial Assets at Fair Value through Profit and Loss (the Invesco portfolio) it earned £7,314 in 2009/10 (2008/09 £282,482) making a total of £718,305 in interest earned in 2009/10 (2008/09 £2,230,870). The Council paid out no borrowing interest in 2009/10 other than on its short term overdraft. This is categorised within Financial Liabilities at Amortised Cost and the amount paid out in 2009/10 was £93 (2008/09 £787).

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Long Term		Current	
	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000
Borrowings:				
Financial Liabilities at amortised cost	-	-	-	-
Financial Liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments:				
Loans and receivables	2	2	24,316	29,596
Available for sale financial assets	-	-	18	-
Financial Assets at fair value through profit and loss	-	-	5,323	-
Unquoted equity investment at cost	-	-	-	-
Total Investments	<u>2</u>	<u>2</u>	<u>29,657</u>	<u>29,596</u>

For each of the categories of Financial Assets and Liabilities outlined above an assessment of the carrying amount against fair value has been made and in all cases the carrying amount was found to be equal to fair value. For instance, in respect of trade receivables and payables this was because they are of short duration and have no stated interest rate and with respect to investments the carrying and fair values are the same due to the investments having fixed principal, interest rates and terms, or in the case of the Money Market Funds, which are subject to variable daily interest rates, the investments are of such sort duration that the effective Interest Rate and the actual interest rates are essentially the same.

26. 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. There are investments outstanding at the end of 2009/10 which are in excess of the category B Building Society limit shown but which, at the point in time they were placed, the institutions with whom the investments were placed had Fitch Credit Ratings commensurate with category B. The credit criteria in respect of investments are detailed below:

NOTES TO THE CORE FINANCIAL STATEMENTS

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	14,051
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	0
Category C	Non rated but in the Top 20 ranked by asset value	£1m	3 months	10,079
Deposits with Money Market Funds	AAA and volatility rating of VR1+	£5m	Not defined - depends on cash flow	1,774
Nationalised Industries	UK Government guarantee	£5m	364 days	0
UK Government	UK Government guarantee	£5m	Not defined	0
Local and Police Authorities	Secured by statute on revenues of Authority	£5m	364 days	0
				25,904

The investments in force at 31st March totalling £25.9m have been reviewed and it is considered that following stabilisation of the UK Banking System after the banking crisis of 2008 the Council is at a low risk of a counterparty defaulting during the remaining term of the investments as default is less likely and if it should happen then the defaulter would likely be absorbed into another institution or rescued by the UK Government.

At 31st March, sundry debts outstanding stood at £1.193m of which £0.741m related to general debts and £0.452m 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 (6.7%) and £0.235m (52.0%) have been established in respect of the general debts and Housing Benefit Overpayments respectively. An analysis by age of the £1.257m less £0.285m bad debts provision follows:

Less than 3 months	£0.893m
4 to 6 months	£0.027m
7 to 9 months	£0.030m
10-12 months	£0.016m
More than 12 months	£0.006m

At 31st March, outstanding arrears in respect of council house rents stood at £1.211m, again an assessment has been made of the default rate on these arrears and a bad debts provision of £0.938m (77.5%) has been established.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 (2009/10 £2.6m and 2010/11 £3.1m) 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 (2009/10 £12.4m and 2010/11 £11.1m). The Council did not incur any borrowing either for cash flow or long term purposes in 2009/10 and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments in 2010/11.

The Council has within its balance sheet, £2.682m 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 2010/11. 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 2009/10 out-turn a 0.5% movement upwards in interest rates will produce an additional £0.203m interest. Conversely the same movement downwards will reduce investment interest by a similar amount.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2008/09 £'000		2009/10 £'000	£'000
25,008	Income & Expenditure Account (Surplus) / Defecit		(11,998)
	Adjust for non-cash transactions:		
(25,490)	Depreciation and Impairment of Fixed Assets	9,741	
(907)	Excess of Depreciation over Major Repairs Allowance	(585)	
(3,621)	MRA revenue financing of capital expenditure	(3,647)	
-	Capital grants & contributions credited to revenue	605	
592	Amortisation of Government Grants Deferred	1,808	
	Amortisation of Intangible Assets	(356)	
(1,534)	Write Downs of Revenue Expenditure Funded from Capital Under Statute	(1,278)	
(1,571)	Non-cash element of charges for Retirement Benefits	(1,605)	
39	Net Gain/(Loss) on sale of Fixed Assets	(675)	
(1)	Investment Gains/(Losses)	(9)	3,999
(7,485)			(7,999)
	Adjust for Accruals basis items:		
12	(Increase) / decrease in provisions	214	
69	(Increase) / decrease in revenue creditors	902	
398	Increase / (decrease) in revenue debtors	1,454	
1	Increase / (decrease) in stocks and work in progress	5	2,575
(7,005)			(5,424)
	Remove non-revenue items:		
(1)	Interest Payable	(4)	
(28)	Interest element of finance lease rental payments	-	
2,236	Interest Receivable	1,316	1,312
(4,798)	Net cash (inflow) / outflow from revenue activities		(4,112)

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

	Balance Sheet Value at 01/04/2009 £'000	less: Accrued Interest to 01/04/2009 £'000	Realised Investment Losses 2009/10 £'000	Cash Flow in year 2009/10 £'000	Add: Accrued Interest to 31/03/2010 £'000	Balance Sheet Value at 31/03/2010 £'000
Liquid Resources						
Short Term Deposits	-	-	-	-	-	-
Other Liquid Assets	8,057	(335)	(27)	(5,995)	73	1,773
	8,057	(335)	(27)	(5,995)	73	1,773
Non-Liquid Resources						
Fixed Term deposits, etc.	21,223	(723)	-	3,500	131	24,131
Short Term Investments	29,280	(1,058)	(27)	(2,495)	204	25,904

NOTES TO THE CORE FINANCIAL STATEMENTS

29. Liquid Resources

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

Using the above definition the item shown in the Balance Sheet as "Short Term Investments" has been analysed to identify cash deposited at periods from Call to 7-day notice and to investments in Certificates of Deposits and Gilts managed by the Council's external investment brokers (INVESCO).

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

30. Analysis of Government Grants in the Cash Flow Statement

2008/09 £'000		2009/10 £'000
	Revenue Government Grants	
(30,325)	DWP grants for Benefits	(36,028)
(1,265)	Revenue Support Grant	(1,951)
(866)	Housing Benefit Administration Grant	(902)
(397)	Assisted Travel	(406)
(182)	Planning Delivery Grant	(354)
(215)	Contribution towards NNDR Collection	(217)
(145)	Safer and Stronger Communities/Anti-Social Behaviour	(79)
(1,517)	Local Authority Business Growth Incentive	(72)
(48)	Implementation of Homelessness Act	(61)
-	Mortgage Rescue	(54)
-	Empty Properties Grants	(53)
-	NNDR Deferral Scheme Grant	(16)
(15)	Council Tax Leaflet	(10)
(23)	Area Based Grant	(23)
-	Nutrition Grant	(3)
(50)	Local Public Service Agreement Grant	-
(36)	Elections	-
(2)	Environmental Protection	-
(35,086)	Total Revenue Government Grants	(40,229)
	Capital Government Grants	
(202)	Disabled Facilities Grant	(240)
(167)	Decent Homes Grant	(167)
(41)	Low Carbon Buildings Programme Grant	(57)
(90)	Planning Delivery Grant - capital element	-
(500)	Total Capital Government Grants	(464)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

	£'000
Increase/(decrease) in cash in the period	3,420
Cash inflow from new debt	-
Cash outflow from debt repaid and finance lease capital payments	-
	<hr/>
Change in net Surplus resulting from cash flows	3,420
Non-cash changes in debt	-
Net Surplus at 1 April 2009	<hr/> 437
Net Surplus at 31 March 2010	<hr/> 3,857 <hr/>

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

	1 April 2009 £'000	Cash Flows £'000	Non-Cash Flows £'000	31 March 2010 £'000
Cash and bank	437	3,420	-	3,857
Bank Overdraft	-	-	-	-
Debt Due within 1 year	-	-	-	-
Debt Due after 1 year	-	-	-	-
Finance Leases	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	437	3,420	-	3,857
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

33. Post Balance Sheet Events

There are no post balance sheet events to report.

34. Authorisation of Accounts for issue

The Chief Financial Officer authorised the Statement of Accounts for issue to the Council's members on 22 June 2010.

HRA INCOME AND EXPENDITURE ACCOUNT

Actual 2008/09 £'000		Notes	Actual 2009/10 £'000
	INCOME		
(19,397)	Dwelling Rents		(19,931)
(731)	Non-Dwelling Rents		(783)
(653)	Charges for Services and Facilities		(669)
(511)	Contributions Towards Expenditure		(720)
<hr/>			<hr/>
(21,292)	TOTAL INCOME		(22,103)
	EXPENDITURE		
3,568	Repairs and Maintenance		3,678
4,991	Supervision and Management		4,805
43	Rents, Rates, Taxes and Other Charges		37
166	Increased Provision for Bad Debts		164
6,859	Negative Housing Revenue Account Subsidy Payable	10	7,204
21,442	Depreciation and Impairment of Fixed Assets		(11,762)
	Amortisation of Intangible Assets & Revenue Expenditure Funded from Capital Under Statute		104
113			104
<hr/>			<hr/>
37,182	TOTAL EXPENDITURE		4,230
	Net Cost Of HRA Services per Authority Income and Expenditure Account		
15,890			(17,873)
96	HRA services share of Corporate and Democratic Core		95
-	HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to specific services		-
<hr/>			<hr/>
15,986	Net Cost of HRA Services		(17,778)
(36)	Gain or Loss on sale of HRA fixed assets		(195)
-	Interest payable and similar charges		-
	Pensions Interest Cost		
106	Expected Return on Pensions Assets	11	313
614	Amortised Premiums and Discounts		465
(822)	Interest and Investment Income		(153)
<hr/>			<hr/>
15,848	(Surplus) / Deficit for the year on HRA services		(17,348)
<hr/> <hr/>			<hr/> <hr/>

STATEMENT OF MOVEMENTS ON THE HRA BALANCE

Actual 2008/09 £'000		Notes	Actual 2008/09 £'000
15,848	(Surplus) / Deficit for the year on the HRA Income and Expenditure Account		(17,348)
(17,029)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	12	16,302
<u>(1,181)</u>	(Increase) or decrease in the Housing Revenue Account Balance		(1,046)
(6,134)	Housing Revenue Account surplus brought forward		(7,315)
<u>(7,315)</u>	Housing Revenue Account surplus carried forward		(8,361)

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 2010 Nos.	31 March 2009 Nos.
Houses	2,513	2,516
Flats	2,438	2,437
Bungalows	670	670
	<hr/> 5,621 <hr/>	<hr/> 5,623 <hr/>

The change in housing stock can be summarised as follows:

	2009/10 Nos.	2008/09 Nos.
Stock at 1 April	5,623	5,623
Purchases	-	-
Sales	(3)	-
Conversions	1	-
Other Disposals	-	-
Change of Use	-	-
	<hr/> 5,621 <hr/>	<hr/> 5,623 <hr/>

2. Housing Revenue Account Fixed Assets

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

	1 April 2009 £'000	31 March 2010 £'000
Operational Assets:		
- Dwellings	295,926	314,186
- Other Properties	6,134	5,765
- Land	341	352
- Equipment	264	360
Non-Operational Assets	-	-
Total Balance Sheet Items	<hr/> 302,665 <hr/>	<hr/> 320,663 <hr/>

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 49% on the market valuations) is the 'Economic Cost' to the Government of providing council housing at less than open market rents.

	1 April 2009 £'000	1 April 2008 £'000
Vacant Possession Value of Dwellings	602,048	647,496
Balance Sheet Value of Dwellings	295,865	318,202
Economic Cost to Government	306,183	329,294

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 19. The figures above exclude leased dwellings.

4. Summary of Capital Expenditure

	2009/10 £'000	2008/09 £'000
Government Grant	-	50
Internal Borrowing	-	-
Prudential Borrowing	-	-
Usable Capital Receipts	-	35
Revenue and Other Contributions	1,940	2,008
Major Repairs Reserve	4,332	3,975
TOTAL CAPITAL EXPENDITURE	6,272	6,068

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

During 2009/10 the Housing Revenue Account incurred capital expenditure amounting to £104,248 on Assets which is capital expenditure incurred by the Council on non-physical assets. Of this, £80,224 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 £24,024 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 2009/10.

6. Impairments

2009/10 has shown a slight improvement in property values. Initial indications from the District Valuer are that the value of the Housing stock has increased by 7.52%. Therefore, the value of the Council's Housing stock has increased by some £16m, which has effectively reversed the £16.1m impairment of the previous year.

NOTES TO THE HOUSING REVENUE ACCOUNT

7. Summary of Capital Receipts

	2009/10 £'000	2008/09 £'000
Sale of Council Houses	308	-
Sale of Land	-	135
Repayment of Discount	17	17
Housing Advances Repaid	-	-
Sale of Council Houses Advances Repaid	24	18
Repayment of Grants	18	-
TOTAL CAPITAL RECEIPTS	367	170

8. Depreciation of Fixed Assets

	2009/10 £'000	2008/09 £'000
Operational Assets		
- Dwellings, Other Land, Buildings	4,148	4,430
- Equipment	84	97
Non-Operational Assets	-	-
TOTAL DEPRECIATION	4,232	4,527

A full valuation of the stock has to be undertaken every 5 years and the latest one was carried out during 2006/07. However, the District Valuer carries out a 'desk top' revaluation on an annual basis and this valuation, as at 1 April 2010, is shown.

9. Bad or Doubtful Debts

Net rent arrears amounted to £1,560,859 at 31 March 2010 (£1,361,487 at 31 March 2009). They consist of current rent arrears, long term rent arrears and prepayments. During 2009/10, the current rent arrears (dwellings and garages) increased from £709,508 to £727,129. As a proportion of net rent collectable (gross rent net of housing benefit payments), it increased from 7.40% to 7.64%. Total arrears increased from £1,137,585 to £1,210,540 proportionally, a rise from 11.87% to 16.40%. The aggregate provision for uncollectable debts is £938,200 as at the 31 March 2010.

NOTES TO THE HOUSING REVENUE ACCOUNT

10. 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 2009/10, the contribution payable was £7.20m (£6.85m in 2008/09).

The calculation is as follows:

	2009/10	2008/09
	£'000	£'000
<u>CREDITS:</u>		
Rents	19,959	19,853
Other Income	4	6
TOTAL CREDITS	<u>19,963</u>	<u>19,859</u>
<u>DEBITS</u>		
Management and Maintenance	8,396	8,084
Major Repairs Allowance	3,647	3,620
Loan Charges	716	1,296
Other Allowances	-	-
Balance to National Housing Pool	7,204	6,859
TOTAL DEBITS	<u>19,963</u>	<u>19,859</u>

11. 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:

	2009/10	2008/09
	£'000	£'000
Income and Expenditure Account		
Net Cost of Services:		
- current service cost	116	196
Net Operating Expenditure:		
- interest cost	784	459
- expected return on assets in the scheme	(471)	(353)
Net Charge to the Income and Expenditure Account	<u>429</u>	<u>302</u>
Statement of Movement in the Housing Revenue Account Balance		
Reversal of net charges made for retirement benefits in Accordance with FRS17	(429)	(302)
Effect on Housing Rents	<u>-</u>	<u>-</u>
Actual amount charged against the Housing Revenue Account		
Balance for pensions in the year:		
- employer's contributions payable to scheme	184	165

NOTES TO THE HOUSING REVENUE ACCOUNT

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

2008/09 £'000		2009/10 £'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	-
36	Gain or loss on the sale of HRA fixed assets	195
-	Net loss on sale of fixed assets	-
(302)	Net charges made for retirement benefits in accordance with FRS 17	(429)
<u>(266)</u>		<u>(234)</u>
	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	
(214)	Transfer to / (from) Major Repairs Reserve	38
997	Transfer to / (from) Housing Repairs Account	1,039
10	Net transfer to or from earmarked reserves	8
(17,721)	Reversal of Impairment charges	15,267
-	Capital Expenditure funded by the HRA	-
165	Employer's contributions payable to Warwickshire County Council Pension Fund and retirement benefits payable direct to pensioners	184
<u>(16,763)</u>		<u>16,536</u>
<u>(17,029)</u>	Net additional amount required to be debited / (credited) to the HRA balance for the year	<u>16,302</u>

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 2008/09 £'000		Notes	Actual 2009/10 £'000
	INCOME		
(4,565)	Contribution from Housing Revenue Account		4,717
<u>(4,565)</u>	TOTAL INCOME		<u>4,717</u>
	EXPENDITURE		
1,638	Major Works Programme		1,458
1,927	Routine Maintenance		2,220
2,008	Revenue Contribution to Capital Outlay	1	1,854
<u>5,573</u>	TOTAL EXPENDITURE		<u>5,532</u>
1,008	Net (Surplus) / Deficit to Balances		815
(3,812)	Balance Brought Forward		(2,804)
<u>(2,804)</u>	Balance carried forward	2	<u>(1,989)</u>

1. Revenue Contribution to Capital Outlay

The Housing Repairs Account normally makes a contribution to support the Housing capital programme and in 2009/10 this was £1.0m (£1.0m in 2008/09).

2. Balance on Account

The balance on the account has decreased to £2.0m due to increased expenditure in all areas, but significantly the voids repair contract and responsive repairs within the Routine Maintenance 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 2008/09 £'000		Notes	Actual 2009/10 £'000
	INCOME		
(3,621)	MRA Subsidy		(3,647)
(596)	Depreciation on Non-Dwelling Assets		(623)
(214)	Dwellings Depreciation Adjustment		38
<hr/>			<hr/>
(4,431)	TOTAL INCOME		(4,232)
	EXPENDITURE		
3,975	MRA Contribution to Capital Expenditure	1	4,332
596	Non-Dwelling Assets Depreciation Adjustment	2	623
214	Dwellings Assets Depreciation Adjustment	3	(38)
<hr/>			<hr/>
4,785	TOTAL EXPENDITURE		4,917
354	Net (Surplus) / Deficit to Balances		685
(4,257)	Balance Brought Forward		(3,903)
<hr/>			<hr/>
(3,903)	Balance carried forward	4	(3,218)
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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 2010 is £3.2m 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 2008/09 £'000		Notes	Actual 2009/10 £'000	
			£'000	£'000
INCOME				
(66,385)	Income from Council Tax (net of benefits)			(68,695)
	Transfers from General Fund:			
(7,051)	- Council Tax Benefits			(7,955)
(57,776)	Income Collectable from Business Ratepayers			(59,904)
	Contributions towards earlier years' Collection Fund Deficit:			
(83)	- Warwickshire County Council		-	
(12)	- Warwickshire Police Authority		-	
(12)	- Warwick District Council		-	-
(131,319)	TOTAL INCOME			(136,554)
EXPENDITURE				
	Precepts and Demands:			
56,498	- Warwickshire County Council	4	58,997	
8,568	- Warwickshire Police Authority	4	8,954	
8,198	- Warwick District Council	4	8,530	76,481
	Business Rates:			
57,561	- Payment to National Pool		59,687	
215	- Warwick District Council		217	59,904
	Bad Debts and Appeals re Council Tax			
69	Write-offs		182	
38	Provision for Bad Debts and Appeals re Council Tax		-	182
131,147	TOTAL EXPENDITURE			136,567
(172)	Net (Surplus) / Deficit for Year			13
BALANCES				
56	Balance 1 April			(116)
(172)	(Surplus) / Deficit for Year			13
(116)	Balance 31 March	5		(103)

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	3,538.20	6 / 9	2,358.80
B	8,883.00	7 / 9	6,909.00
C	13,843.35	8 / 9	12,305.20
D	10,704.00	9 / 9	10,704.00
E	5,970.03	11 / 9	7,296.70
F	4,448.01	13 / 9	6,424.90
G	3,479.64	15 / 9	5,799.40
H	349.00	18 / 9	698.00
	51,224.95		52,501.40

Adjustment for new properties, collection rates, changes during the year for successful appeals against valuation banding, demolitions, disabled persons relief and exempt properties (207.57)

COUNCIL TAX BASE 2009/10 **52,293.83**

On the basis of an average Band D Council Tax rate throughout the Warwick District Council area of £1,462.52 the original estimated Council Tax income, including Council Tax Benefit, was £76.5m compared with the actual income credited to the Fund of £76.5m which is made up as follows:

	£'000
Council Tax (net of benefits, transitional relief, bad debts and write-offs)	68,513
Council Tax Benefits	7,955
INCOME FROM COUNCIL TAX 2009/10	76,468

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 48.5p. 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 £145,946,633 at 31 March 2010.

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 2009/10:

Warwickshire County Council	£58,996,670.53
Warwickshire Police Authority	£8,953,530.84
Warwick District Council	£8,530,393.00

5. Accounting for the Collection Fund

The 2009 SORP requires a change in accounting policy in respect of the Collection Fund. Previously, the balance of the Collection Fund was apportioned between the Council and the two major preceptors – Warwickshire County Council and Warwickshire Police Authority. The amount attributable to the external preceptors was included in the Balance Sheet as part of the debtors or creditors depending on whether the Collection Fund was in surplus or deficit. All arrears, prepayments and bad debt provisions in respect of Council Tax and National Non-Domestic Rates (NNDR) were included in full in the Council's Balance Sheet.

The 2009 SORP now requires the collection of council tax and NNDR to be treated as agency work in respect of the amounts collected for the major preceptors and the government. All balances of arrears, prepayments and bad debt provisions will be apportioned out and only the Council's apportionment will be included in its Balance Sheet in their respective groups. The net amounts attributable to the other major preceptors and central government will be included as either debtors or creditors depending on the net position for each.

This change in accounting treatment requires prior year adjustments to be made to the Balance Sheet, Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses and Cashflow Statement. The following table analyses all of the Collection Fund elements and identifies where they sit in the Balance Sheet.

NOTES TO THE COLLECTION FUND

COLLECTION FUND 31st March 2009

COLLECTION FUND 31st March 2010

Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. Police £'000	Central Government £'000	Balance Sheet	Total £'000	Warwick District £'000	Warwicks. County £'000	Warwicks. Police £'000	Central Government £'000
1,751	195	1,351	205	-	Arrears					
1,263	-	-	-	1,263	Council Tax	Debtors	1,784	199	1,377	208
					NNDR	Debtors	1,536	-	-	1,536
					Impairment Allowance for Doubtful Debts					
(388)	(43)	(299)	(46)	-	Council Tax	Bad Debts	(388)	(43)	(300)	(45)
(715)	-	-	-	(715)	NNDR	Bad Debts	(815)	-	-	(815)
					Overpayments and Prepayments					
(697)	(78)	(537)	(82)	-	Council Tax	Creditors	(655)	(73)	(505)	(77)
(1,195)	-	-	-	(1,195)	NNDR	Creditors	(867)	-	-	(867)
					Collection Fund Balance					
(89)	-	(89)	-	-	Warwickshire County Council	Creditors	(80)	-	(80)	-
(14)	-	-	(14)	-	Warwickshire Police Authority	Creditors	(12)	-	-	(12)
(13)	(13)	-	-	-	Warwick District Council	Collection Fund	(12)	(12)	-	-
					NNDR Pool					
2,211	-	-	-	2,211	Balance	Debtors	2,037	-	-	2,037
					Balance Sheet:					
	195	426	63	1,564	Debtors		199	492	74	1,891
	(78)	-	-	-	Creditors		(73)	-	-	-
	(43)	-	-	-	Bad Debts		(43)	-	-	-
	(13)	-	-	-	Collection Fund Adjustment A/c		(12)	-	-	-

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 28 June 2010

Chair of the Council Meeting
Councillor Bertie Mackay

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 SORP).

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 local authority SORP.

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 a fair and true view of the financial position of Warwick District Council at 31 March 2010 and its income and expenditure in the year ended 31 March 2010.

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

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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 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. 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 the 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 2010 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, processes and activities 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

The Council has a Corporate Strategy which contains the Authority's vision and mission. The Strategy identifies seven corporate objectives and three priorities for each objective. The achievement of the priorities is through specific agreed actions and measured by key target indicators. The Strategy also sets 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;
- the previous Corporate Strategy;

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- 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.

The Council's Portfolio Holders each publish an annual Statement identifying and communicating the Council's priorities for the year. This statement is published on the Council's website.

Progress towards the Council's objectives is communicated to the local community through its publication, District Focus and via the website. Council 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

During 2008 and 2009 the Local Strategic Partnership (LSP) reviewed both its strategic approach to delivering improved outcomes for Warwick district residents and the enabling governance arrangements. The outcome of the review has been a Sustainable Community Strategy (SCS) endorsed by all LSP partners and streamlined governance arrangements overseen by the Warwick Partnership Executive Group (WPEG). The SCS has a vision of improving the quality of life for all the residents of Warwick district by making Warwick a great place to live, work and visit. Following Warwick District Council's adoption of the SCS a review of its own Corporate Strategy commenced.

Although the current Corporate Strategy was to be for the period 2008-2011, it is recognised that the external environment is creating significant challenges for Warwick District Council: The recession, increased demand for quality, effectiveness and efficiency of service and a likely substantial reduction in grant income received from Central Government.

The revised strategy would need to be able to address these challenges, focus on improving outcomes for service users and as a consequence contribute to the delivery of the SCS.

The result of the Corporate Strategy review is that the Council's March 2010 Executive agreed a Framework for a Corporate Business and Improvement Plan (CBIP). It is anticipated that the final version of the CBIP will be presented to the June 2010 Executive following extensive consultation with officers and members.

The development of the CBIP has been informed by:

- Warwick District Council's organisational values;
- A Lean Systems Thinking approach to service design;
- An organisational design focusing on People and Place;
- Strategy rationalisation;
- Results from the Citizens' Panel and Place Survey.

The success of the Plan will be judged by measurement against a limited number of key strategic outcomes.

The Council has agreed governance arrangements which can be summarised as follows:

- The Overview and Scrutiny Committee will have oversight responsibility for policy development and performance monitoring whilst the Finance and Audit Committee will oversee the adequacy of the Council's risk management and control frameworks;
- The Standards Committee will provide the final health check on the authority's governance arrangements. The Committee will also undertake an annual review of the Constitution which will enable it to be kept up to date more effectively;

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- Key Partnerships are reviewed on an annual basis and proposals will be brought to Executive in June 2010 recommending the role for members in overseeing the governance arrangements of the Council's key partnerships.

The development of the CBIP has been based on Lean Systems Thinking principles where service delivery is considered wholly from a customer perspective. It is recognised that the role of Scrutiny will need to evolve to ensure that focus is maintained on outcomes and work has commenced with the Scrutiny Chairs to develop a new approach.

The Government introduced a new inspection framework in 2009, Comprehensive Area Assessment (CAA). As part of the assessment Warwick District Council had its own organisational assessment based on its overall Use of Resources score and a separate score for Managing Performance. Warwick District Council scored a 2 for its Use of Resources and 2 for Managing Performance. Each score is out of 4 and the descriptor associated with a score of 2 is "meets minimum requirements".

The Council has an Action Plan for improving its Use of Resources score although this is unlikely for 2010/2011 given the late reporting by the Audit Commission. For Managing Performance the Council is developing a revised Corporate Strategy – the CBIP – focusing on outcomes rather than outputs.

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 monitoring and reporting mechanisms ensure performance management is embedded into the core management structures of the organisation. Performance targets have been 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, Customer Service surveys.

The Council's online performance management system requires identified responsible officers to input data on at least a quarterly basis. The system 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 service team, service area and senior management team meetings as well as portfolio holder and Executive briefings and form the basis of reports to Overview and Scrutiny Committee and the Executive. The Executive receives a report on performance every quarter and receives a comprehensive briefing by the Corporate Management Team.

The Council is revising its performance management framework to focus on Strategic Outcomes based on what matters to people in our community. The CAA process highlighted that whilst there are areas of very strong performance, there are also areas where performance is not progressing or the Council is unable to demonstrate what difference it is making. The new framework and governance arrangements will ensure that the organisation responds more quickly to under-performance.

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 Senior Management Team (SMT). The Complaints Policy has been reviewed and updated following consultation through SMT, Executive, Employment Committee and finally approval by Standards Committee. Training sessions have been provided by the Local Government Ombudsman for relevant frontline and investigating officers and Standards Committee reviews complaints trends.

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 monitored by the Finance and Audit Committee on a six-monthly basis with an Action Plan in place.

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

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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. The assessment for 2009/2010 was universally described as the "harder test" and the Council received a score of 2 for this element indicating that it is performing at minimum standards in this area.

Work has started on developing an approach to benchmarking which will enable the Council to compare cost/performance on a like-for-like basis taking account of the desires, needs and priorities of elected members and local communities.

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 Executive reviews the Constitution on an annual basis and ensures the levels of delegation are appropriate. Amendments necessary to the scheme of delegation following a senior management restructure and transfer of the Council's legal function to Warwickshire County Council were identified during the year and included in the revision to the Constitution. However, it has been identified that the Constitution could be improved to specifically refer to the general role of Councillors and this has formed part of a general review of the Constitution which will be presented to Executive in May 2010.

There is a management matrix which shows the relationship between portfolio area and service area. 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

There is a Member and Officer Protocol and Codes of Conduct for Members and Officers. All new Members and Officers receive a copy of their respective Code. There is a regular review of Member interests (detailed on the Council's website) by the Standards Committee and a quarterly review by SMT (to be amended to six-monthly to reflect the level of risk) of officer interests and declarations of gifts and hospitality. 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 and development process. The Organisational Values have been a key element in the development of the emerging CBIP.

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 managing risks

The Code of Financial Practice has been updated with changes agreed by Council in April 2010. This follows a major review in 2008. The Code of Financial Practice will be 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 Council in April 2010. This follows reviews in 2008 and 2009. The Code of Contract Practice will be reviewed each year, with changes made as appropriate. The Code will be included in on-going procurement training for senior officers. A Procurement Action Plan is in place and is overseen by the Procurement Manager who champions procurement issues across the Council.

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Senior Managers have received specialist procurement training and are responsible for following good contract practice.

Finance & Audit Committee has taken a keen interest in procurement forming a Procurement Working Party of three members which has helped raise the profile of the function throughout the organisation.

It has been recognised that further work needs to be undertaken in relation to Procurement and Contract Management in general. In March 2010 Executive agreed extra officer resource to enable the authority realise further savings and monitoring of the savings will be part of the Council's budget/financial monitoring process. With regard to contract management, comprehensive training will be provided for all budget managers.

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. The template and associated guidance is to be updated for the new municipal year.

Committee Services has identified the need to set up a system to monitor the implementation of decisions and this will be possible once the appropriate software is "up-and-running". The Corporate Management Team has identified the need to better record the comments of officers involved in the development of reports. It is probable that officers will be using software which enables more effective collaborative working on reports from June 2010.

The Council approved a Risk Management Policy Statement and Strategy in January 2003 and this is updated annually and reported to the Finance & Audit 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 been refreshed and its Terms of Reference revised to develop a comprehensive performance framework for risk management and to embed risk management across the Authority. Corporate and Strategic and Service Area risk registers are in place and appropriate staff have been trained in the identification, assessment and monitoring of risks. From April 2010 there is a rolling review of Service Area risks and high level corporate risks are reported to the Executive every quarter. The Corporate and Strategic Risk Register will be updated once the Council has adopted the Corporate Business and Improvement Plan.

Key Risk Indicators are being developed following an SMT workshop in March 2010 and will be reviewed as part of the monthly monitoring of the CBIP.

The Use of Resources (UoR) assessment for managing risk scored the authority at "2" (meets minimum requirements). An Action Plan is in place to address the UoR improvement areas and is monitored on a quarterly basis by Finance & Audit Scrutiny Committee.

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 Finance & Audit Scrutiny Committee. These are set out in its terms of reference approved by the Executive.

The primary purpose of the Finance & Audit 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.

In addition to the main purposes of the Finance & Audit Scrutiny Committee it 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;

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- Considers the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- Seeks 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 monitors management action in response to the issues raised by external audit.

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 and compliance with health and safety policy. 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 Code of Financial Practice and Code of Contract Practice set out procedures to ensure lawful expenditure. Both finance staff and the Chief Financial Officer are required to sign off Committee reports to ensure relevant financial issues have been addressed. Reports have also been signed off by the Interim Legal Head of Services to ensure compliance with the law and Council's Constitution.

With the transfer of the Council's legal function to the County Council alternative arrangements have been put in place whereby there is a responsibility for the relevant Head of Service to satisfy themselves as to the legality of any recommendation and if there is any doubt seek advice from the County's Legal Service.

The Council publishes a Forward Plan which contains details of all 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 Anti-corruption strategy and a Whistle-blowing 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 Anti-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;
- Establishing relevant procedures and codes that form the Council's overall control framework;
- Exchanging information with other bodies;

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- Undertaking a comprehensive approach to the preparation of the Annual Governance Statement.

The strategy also describes the arrangements for investigating allegations of wrongdoing.

The Whistle-blowing policy 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 Policy by 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. If the complainant is dissatisfied with the outcome of the investigation they can require the complaint to be investigated by an officer outside of the service to which the complaint relates. If the complainant is still dissatisfied they have the right to have the complaint referred to the Local Government Ombudsman for investigation and resolution.

As described in 3.3, the Complaints Policy has recently been reviewed and updated.

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. Members undertake a self-assessment of development needs.

Training for senior officers is identified through the induction programme and on an ongoing basis through the competency and personal development framework process which requires a review of development needs.

Members of the Corporate Management Team are encouraged to attend appropriate SOLACE training whilst all senior managers are encouraged to attend relevant professional seminars and conferences.

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 to rural areas that do not receive the Observer. The Council's annual performance is reported in one of these issues.

The LSP and its sub groups enable a two-way dialogue across the whole spectrum of the Council's activities that involve key local stakeholders in partnership working e.g. County Council, Primary Care Trust (PCT) and Voluntary Sector (VS). As described at 3.2, the LSP has been reviewed and revised.

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/Town) along with PCT and VS, is now active in all parts of the District with Forum attendees identifying community priorities and allocating resources provided by the District and County Councils.

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 agreed by Executive and the revised Committee Report template is more explicit in ensuring officers identify what consultation has occurred when proposals are brought forward.

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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 being undertaken by the Improvement and Performance team.

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

A Communication and Marketing Strategy has been agreed although the new approach will not commence until June 2010.

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 updated its policy for managing its partnership arrangements. The governance arrangements for all partnerships have been reviewed with all lead officers being required to complete a Partnership Checklist to identify any governance weaknesses.

A report will be submitted to Executive in June 2010 recommending the role for members in monitoring the Council's key strategic partnerships.

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 senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager'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. The Code of Corporate Governance is endorsed by Standards Committee each year.

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

The Council has delegated to the Finance & Audit 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.

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4.3 The Standards Committee

The 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 Annual Governance Statement, being explicitly recognised in the terms of reference of the Standards Committee.

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 Finance & Audit Scrutiny Committee and from which the audit assignments are identified.

A report of each audit is submitted to the relevant 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

Scrutiny committees, the Standards Committee, external audit and external inspection agencies 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 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 2010/11.

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Objective 1: Establishing principal statutory obligations and organisational objectives:

Step 1: In support of objective 1 – Mechanism established to identify principal statutory obligations		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
1. Record held of statutory obligations	<ul style="list-style-type: none"> • Accessible record of statutory obligations (e.g. central registry or legal library, intranet) 	<i>Understand County Council approach to holding of statutory obligations and make any necessary changes – HoMS June 2010</i>
2. Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used	<ul style="list-style-type: none"> • Review of established processes in place • Appointment of suitably qualified and experienced employees, selected against accurate and specific job descriptions and person specifications • Appropriate induction training has been given to specific post holders • Awareness training tailored to job profiles has been provided • Evidence of effective arrangements for internal and external communication (e.g. by review of communication of recent legislation to relevant officers and members) • Inspection of reports to members on implications of new legislation • Evidence that assurance has been given to Chief Executive that all relevant legislative changes have been reported and addressed 	<i>Understand County Council approach to advising of changes to statutory obligations and make any necessary changes – HoMS June 2010</i>
3. Effective action is taken where areas of non-compliance are found in either mechanism or legislation	<ul style="list-style-type: none"> • Review of evidence to demonstrate that action has been taken to overcome identified areas of non-compliance, for example: <ul style="list-style-type: none"> o Internal /external audit reports to audit committee or equivalent; o Monitoring reports on progress on delivering action plans in response to identified legal/statutory risks in risk register (e.g. on implementation of Freedom of Information Act 2000); o Evidence of corrective action being taken in response to upheld complaints against the authority 	<i>Approach to Corporate and Strategic Risk Register to be considered as part of development of CBIP – A&RM June 2010</i>

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Step 2: In support of Objective 1 – Mechanism in place to establish organisational objectives ⁵		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
1. The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	<ul style="list-style-type: none"> Authority's approved and published strategic plan takes account of all consultation and local and national priorities Priorities and objectives in strategic partnerships are aligned with corporate priorities and objectives 	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
2. Priorities and objectives are aligned to principal statutory obligations and relate to available funding	<ul style="list-style-type: none"> Corporate priorities and objectives are clearly set out in the strategic plan Strategic plan takes account of annual budget and medium term financial plan Financial plans take account of strategic partnership contributions and income streams 	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
3. The authority's objectives are clearly communicated to staff and to all stakeholders, including partners.	<ul style="list-style-type: none"> A communication strategy in respect of the corporate objectives has been developed, approved and implemented Evidence of consultation with stakeholders (e.g. public and internal surveys etc) and strategic partners on service provision against cost. Documented meetings across departments to discuss key objectives in corporate and departmental and/or service plans Corporate objectives and aims are set out in key documents (annual plans, Local Area Agreements etc) on the authority's website and intranet site 	<i>Communication and Marketing Strategy being prepared - HoMS June 2010</i>

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Step 3: In support of objective 1 – Effective corporate governance arrangements are embedded within the authority		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
1. Review and monitoring arrangements in place	<ul style="list-style-type: none"> • The Code itself incorporates a review date and/or a system for continuous update in response to changed requirements • There are clear arrangements for continuously monitoring compliance with the Code e.g. reports on compliance are regularly submitted to the committee charged with corporate governance responsibility • An annual report on compliance with the Code of Corporate Governance is prepared and submitted to members • Internal/external audit reports on adequacy of corporate governance arrangements • An action plan is prepared to address any significant identified weaknesses in complying with the Code and is continuously monitored by the authority or committee charged with corporate governance responsibility 	<i>Ensure that all aspects of work programme are delegated when a senior manager leaves the authority – CEx & DCEX as necessary</i>
2. Staff, public and other stakeholder awareness of corporate governance	<ul style="list-style-type: none"> • There is a general staff awareness training programme • The Code has been published and is accessible to all staff, the public and other stakeholders 	<i>Consider at least one item annually on Corporate Governance at the Senior officers meeting – DCEX</i>

Step 4: In support of objective 1 – Performance management arrangements are in place		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
1. Comprehensive and effective performance management systems operate routinely	<ul style="list-style-type: none"> • There is a clearly defined performance management framework that identifies: <ul style="list-style-type: none"> o all sources of performance measures; o who is responsible for achieving each performance measure; o who is responsible for collating the data for each one; o who determines and approves the performance measures; o who receives reports on performance and how often; o how data quality is assured; o how performance data is captured and its integrity maintained; o how poor performance is addressed; o how performance is driven upwards over time • Reports resulting from internal or external reviews of performance management 	<i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i>

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	<ul style="list-style-type: none"> • Year-on-year comparison of achievement against performance targets (e.g. in annual reports) • Best value reviews, including benchmarking results • Departmental and/or service benchmarking results • Annual reports issued by, or in relation to, strategic partnerships 	
2. The authority knows how well it is performing against its planned outcomes	<ul style="list-style-type: none"> • Regular reports are presented to members on the delivery of national, authority, departmental and partnership performance targets • Internal and external auditor's reports on key performance indicators • Key performance indicator risk scorecards • Use of Resources (PURE for police service) reviews and progress reviews against the action plans. • Monitoring reports on the achievement of <ul style="list-style-type: none"> ○ Local performance targets ○ National Indicators ○ Internal performance indicators ○ Regular budget monitoring reports (capital and revenue, current year and medium-term) • Voluntary benchmarking exercises with peer groups • National comparative performance measures against comparable authorities (e.g. QuAnTa data on comparative policing performance against 'most similar force') • Local Area Agreements and other strategic partnerships • Balanced score card • EFQM model adopted • External audit/agency reports on performance (e.g. compliance with National Crime Recording Standard, HMIC reports, Police Standards Unit reports) 	<p><i>Approach to benchmarking to be determined and adopted for 2011/2012 Service Planning process – IPM & HoF July 2010</i></p> <p><i>Performance Management Framework being revised as part of review of Corporate Strategy – CEx June 2010</i></p>
3. Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes	<ul style="list-style-type: none"> • Monitoring reports are regularly presented to the appropriate committee • The reports include detailed performance results, both absolute and relative to peer authorities, a clear indication of below target, on target and at, or above, target results, highlighting areas where corrective action is necessary • Committee reports on below par performance include 'SMART' action plans to improve performance • Performance targets in subsequent corporate and departmental and/or service business plans are revised in the light of actual performance • Continuous improvement is strived for by increasing the 	<p><i>Approach to benchmarking to be determined and adopted for 2011/2012 Service Planning process – IPM & HoF July 2010</i></p> <p><i>Performance Management Framework being revised as part of review of Corporate Strategy – CEx June 2010</i></p>

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	<p>difficulty of performance targets when they have been met over a period (e.g. movements on KPI results)</p> <ul style="list-style-type: none"> • Performance trends are established and reported upon over the medium term and are fed into the corporate and departmental and/or service planning process and into the planning process of key partnerships • Performance targets are adjusted in the light of the performances of peer authorities 	
4. The authority continuously improves its performance management	<ul style="list-style-type: none"> • The performance management systems are regularly reviewed and updated to take account of changes in organisational structure, new performance measurement frameworks (i.e. new Government initiatives, new internal performance measures etc) and other factors • The performance management arrangements are revised in line with external or internal review of the arrangements • Performance management arrangements are reviewed to assimilate new techniques and/or technology e.g. developments in performance management information systems • Performance management arrangements are developed and monitored in relation to key partnerships 	<p><i>Performance Management Framework being revised as part of review of Corporate Strategy – CEx June 2010</i></p> <p><i>Link our performance management arrangements with the Sustainable Community Strategy – CEx June 2010</i></p> <p><i>Executive to agree reporting arrangements for key strategic partnerships – DCEx June 2010</i></p>

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Objective 2: Identify principal risks to achievement of objectives:

Step 1: In support of objective 2 – The authority has robust systems and processes in place for the identification and management of strategic and operational risk		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
<p>1. There is a written strategy and policy in place for managing risk which:</p> <ul style="list-style-type: none"> • Has been formally approved at political and risk management board (or equivalent) level • Is reviewed on a regular basis • Has been communicated to all relevant staff • Includes partnership risks 	<ul style="list-style-type: none"> • Existence of approved strategy and policy document • Evidence of formal approval (e.g. management board/committee minutes) • Evidence of formal review (e.g. management board/committee minutes, document version number and date) • Evidence of communication strategy, possibly covered in strategy document • Examples of dissemination e.g. induction, briefings, awareness sessions, policy and strategy published on intranet, strategic diagnostic questionnaire results • Partnership risk registers 	<p><i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i></p> <p><i>KRI to be agreed by SMT and included as part of the CBIP – A&RM Sept 2010</i></p>
<p>2. The authority has implemented clear structures and processes for risk management which are successfully implemented and:</p> <ul style="list-style-type: none"> • Management board and elected members see risk management as a priority and support it by personal interest and input • Decision making considers risk • A senior manager has been appointed to “champion” risk management • Roles and responsibilities for risk management have been defined • Risk management systems are subject to independent assessment • Risk management is considered in the annual business planning 	<ul style="list-style-type: none"> • Management board/committee minutes • Job descriptions of senior and operational managers and corporate risk manager • Internal audit reports and external audit comments on risk management system • CPA or PPAF review comments on risk management • Annual business plans • Link between internal audit and risk management functions is clearly defined in terms of reference of internal audit • Responsibility for risk management function, including partnership risk management, is set at appropriate senior level • Committee reports setting out options for change include an appropriate risk assessment, including the ‘no change’ option • The corporate business plan and financial plan assess risks as appropriate and in particular take account of new and emerging risks facing the authority • Partnership risks are assessed before agreements are signed 	<p><i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i></p>

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Step 1: In support of objective 2 – The authority has robust systems and processes in place for the identification and management of strategic and operational risk		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
<ul style="list-style-type: none"> process Risk management extends to partnership risks 		
3. The authority has well defined procedures for recording and reporting risk	<ul style="list-style-type: none"> Evidenced by review of risk management strategy and policy Examination of corporate and partnership risk registers Key risk indicators have been determined and there is evidence of monitoring against these risks Evidence of regular and frequent reporting of risk to political and management board level Evidence of risk based auditing being carried out Evidence of risks not properly addressed identified in internal audit reports etc being fed into the risk management process Environmental scanning reports are fed into the risk management process so as to identify new and emerging risks 	<i>KRI to be agreed by SMT and included as part of the CBIP – A&RM Sept 2010</i>
4. The authority has well-established and clear arrangements for financing risk	<ul style="list-style-type: none"> Evidence that the authority's policy for risk financing is regularly reviewed in the light of costs and alternative risk mitigation strategies All legal requirements for insurance are met Evidence that self-insurance provisions are subject to annual independent actuarial valuation and that contributions to the fund are adjusted accordingly Insurance claims being managed in accordance with 'Woolf' principles Evidence of monitoring the incidence of successful and unsuccessful claims and of feeding the results back into the policy for risk financing accordingly 	<i>Insurance cover to be retendered – HoF 2010</i>
5. The authority has developed a programme of risk management training for relevant staff	<ul style="list-style-type: none"> Training programme for risk management Training needs analysis (both specialist staff development and general awareness) Regular newsletter or other means of communicating risk management issues to staff Induction programme includes risk management Appropriate responsibilities for risk management incorporated into job descriptions and appraisals 	<i>Risk refresher/overview session to be provided for senior officers – A&RM Autumn 2010</i>
6. Risks in partnership working are fully considered	<ul style="list-style-type: none"> Evidence of risk assessments being undertaken before the commencement of major projects, preferably in the report on which the decision to proceed is based 	<i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i>

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Step 1: In support of objective 2 – The authority has robust systems and processes in place for the identification and management of strategic and operational risk		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
	<ul style="list-style-type: none"> • Evidence that risk assessment are regularly reviewed during the project period • Evidence that potential partners are required to produce and submit risk assessments • Evidence that partnership arrangements are reviewed in terms of risk before they are entered into and, subsequently, that the risks are reviewed • Evidence that there are effective arrangements in place for risk sharing (e.g. in the partnering contract terms and conditions or agreement) 	

Objective 3: Identify and evaluate key controls to manage principal risks:

Step 1: In support of objective 3 – The authority has robust system of internal control which includes systems and procedures to mitigate principal risks		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
<p>1. There are written financial regulations in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff:</p> <ul style="list-style-type: none"> • Authority has adopted CIPFA code on Treasury Management • Compliance with the Prudential Code 	<ul style="list-style-type: none"> • Financial regulations and instructions exist & are reviewed & updated regularly • Evidence of formal approval • Examples of dissemination e.g. induction, briefings, awareness sessions, accessible in finance manuals and/or on intranet site • Reports to audit committee or equivalent confirming compliance or identifying extent of non-compliance with regulations and instructions • Report approving annual treasury management and investment strategy • Outturn report on treasury mgt. • External audit assessment of compliance with Prudential Code • Results of Use of Resources (or PURE) assessment of internal control KLOEs 	CoFP will be reviewed annually - HoF Feb 2011
<p>2. There are written contract standing orders in place which have been formally approved, regularly reviewed and widely communicated to all relevant staff</p>	<ul style="list-style-type: none"> • Standing orders exist, are reviewed and updated regularly to cover new procedures such as partnering arrangements and on-line tendering • Evidence of formal approval • Examples of communication and dissemination e.g. induction, briefings, awareness sessions, accessible in finance manuals 	<i>Principles of CoCP to be included in training for all budget managers –HoF Summer 2010</i>

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Step 1: In support of objective 3 – The authority has robust system of internal control which includes systems and procedures to mitigate principal risks		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
	and/or on intranet site	
3. There is a whistle blowing policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff	<ul style="list-style-type: none"> Whistle blowing policy exists and has been reviewed and updated regularly Evidence of formal approval Examples of communication and dissemination e.g. induction, briefings, awareness sessions, accessible on website and intranet site Evidence of effectiveness of policy (e.g. reports on incidence of usage, evidence on annual declarations on fraud to Audit Commission) 	<i>Publicity of Whistleblowing Policy to be undertaken – A&RM July 2010</i>
4. Key risk indicators have been drawn up to track the movement of key risks and are regularly monitored and reviewed.	<ul style="list-style-type: none"> Appropriate key risk indicators are documented Evidence of regular monitoring Evidence of changes in risk indicators (and reasons for change) emanating from appropriate information sources (e.g. where internal audit findings are used to change the perceived level of risk) 	<i>KRI to be agreed by SMT and included as part of the CBIP – A&R Manager Sept 2010</i>

Objective 4: Obtain assurance on the effectiveness of key controls:

Step 1: In support of objective 4 – Appropriate assurance statements are received from designated internal and external assurance providers:		
<ul style="list-style-type: none"> The authority has identified appropriate sources of assurance Appropriate external assurances are identified and obtained 		
Examples of assurance:	Evidenced by:	WDC Actions & Responsible Officer
1. Performance monitoring arrangements	<ul style="list-style-type: none"> Annual and in-year reports on delivery of key performance indicators by internal and/or external review agencies 	<i>See Step 4 in support of objective 1</i>

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Theme 1: Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area		
The code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	WDC Actions & Responsible Officer
1. develop and promote the authority's purpose and vision	Used as a basis for: corporate and service planning shaping the community strategy local area or performance agreements	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
2. review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	Used as a basis for: corporate and service planning shaping the community strategy local area or performance agreements	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
3. ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	Used as a basis for: corporate and service planning shaping the community strategy local area or performance agreements	<i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i>
4. publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance (not police service)	annual financial statements annual business plan formal annual report	<i>Following Council's agreement of CBIP, publish on website and publish performance against agreed measures on a quarterly basis. Use District Focus magazine to inform communities as to achievements and areas for development – CEx July 2010</i>
5. decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	This information is reflected in the authority's: corporate plan medium term strategy resourcing plan, in order to ensure improvement	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
6. decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	The results are reflected in authority's performance plans and in reviewing the work of the authority	<i>Approach to benchmarking to be determined and adopted for 2011/2012 Service Planning process – IPM & HoF July 2010</i>

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Theme 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles		
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that maybe used to demonstrate compliance	WDC Actions & Responsible Officer
1. ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	Vision, strategy, corporate plans, budgets, performance plan/regime	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i> <i>Following Council's agreement of CBIP, publish on website and publish performance against agreed measures on a quarterly basis. Use District Focus magazine to inform communities as to achievements and areas for development – CEx July 2010</i>
2. when working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	<p>Protocols for partnership working. For each partnership there is:</p> <ul style="list-style-type: none"> • a clear statement of the partnership principles and objectives • clarity of each partner's role within the partnership • definition of roles of • partnership board members • line management responsibilities for staff who support the partnership • a statement of funding sources for joint projects and clear accountability for proper financial administration • a protocol for dispute resolution within the partnership <p>(NB from special report ' Local Partnerships and Citizen Redress by LGO)</p>	<i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i>
3. when working in partnership: - ensure that there is clarity about the legal status of the partnership - ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.	See above	<i>Executive to agree reporting arrangements for key strategic partnerships – DCEX June 2010</i>

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Theme 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour		
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	WDC Actions & Responsible Officer
1. ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect		<p><i>Leadership Development Programme to be rolled-out to next tier of management – CEx July 2010</i></p> <p><i>Staff and Member Consultation and Engagement to be reviewed on a weekly basis – CMT April 2010 and ongoing</i></p>
2. develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	codes of conduct	<p><i>Leadership Development Programme to be rolled-out to next tier of management – CEx July 2010</i></p> <p><i>Staff and Member Consultation and Engagement to be reviewed on a weekly basis – CMT April 2010 and ongoing</i></p>

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Theme 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk		
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	WDC Actions & Responsible Officer
1. develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	Decision making protocols record of decisions and supporting materials.	<i>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 – HoMS</i>
2. ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.	members' induction scheme training for committee chairs	<i>Revised report template and guidance to be issued – HoMS July 2010</i>
3. ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	record of decision making and supporting materials	<i>Revised report template and guidance to be issued – HoMS July 2010</i>
4. ensure that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job	risk management protocol financial standards and regulations	<i>Risk refresher/overview session to be provided for senior officers – A&RM Autumn 2010</i> <i>KRI to be agreed by SMT and included as part of the CBIP – A&R Manager Sept 2010</i>

ANNUAL GOVERNANCE STATEMENT (2009/10) ACTION PLAN

Theme 5: Developing the capacity and capability of members and officers to be effective		
The local code should reflect the requirements for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance	WDC Actions & Responsible Officer
1. ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	strategic partnership framework stakeholders forums' terms of reference area forums' roles and responsibilities residents panel structure	<i>Review of Locality Working to be reported to Executive – DCex July 2010</i>
2. ensure that career structures are in place for members and officers to encourage participation and development	succession planning	<i>Workforce Strategy developed, consulted on and approved – CEx September 2010</i>

ANNUAL GOVERNANCE STATEMENT (2009/10) ACTION PLAN

Theme 6: Engaging with local people and other stakeholders to ensure robust public accountability		
The local code should reflect the requirements to:	Source documents/good practice/other means that may be used to demonstrate compliance	WDC Actions & Responsible Officer
1. make clear to themselves, all staff and the community, to whom they are accountable and for what	community strategy	<i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
2. consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required		Respond to Peer Review findings <i>Corporate Business and Improvement Plan to be considered by Executive – CEx June 2010</i>
3. ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively	community strategy processes for dealing with competing demands within the community	<i>Communications and Marketing Strategy to be agreed – CEx June 2010</i>
4. ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands		<i>Review of Locality Working to be reported to Executive – DCEx July 2010</i> <i>Continue progress with Hear by Right – DCEX ongoing</i> <i>Make recommendations for revised approach to gathering customer insight – IPM</i>
5. establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result	partnership framework communication strategy	<i>Communications and Marketing Strategy to be agreed – CEx June 2010</i>

ANNUAL GOVERNANCE STATEMENT

KEY

CEx – Chief Executive
DCE (AJ) – Deputy Chief Executive (Andy Jones)
CMT – Corporate Management Team
HoF – Head of Finance
IPM = Improvement and Performance Manager
HoMS = Head of Members' Services
CMT = Corporate Management Team
HR = Human Resources Manager

LSP = Local Strategic Partnership
WPEG = Warwick Partnership Executive Group
CBIP = Corporate Business and Improvement Plan
SCS = Sustainable Community Strategy
SMT = Senior Management Team
LGO = Local Government Ombudsman
CoFP = Code of Financial Practice
CoCP = Code of Contract Practice

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:

17th June 2010

17th June 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARWICK DISTRICT COUNCIL

To follow upon completion of the Audit.