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EXPLANATORY FOREWORD

1. Financial Statements

This foreword provides a brief description of the financial events affecting the Council in 2008-09 and the Council's financial position generally. The final accounts are produced in the format stipulated by the Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), which sets out the proper accounting practices in accordance with the statutory framework. The SORP designates certain of the financial statements as 'core' and requires these to be grouped together in a specified order, to be followed by a consolidated set of notes to the accounts covering all of the core statements. Supplementary statements are presented with their own notes after the notes on the core statements.

The core financial statements are:

- *Income and Expenditure Account*
This statement brings together the net cost of all the services provided by the Council, excluding the Collection Fund. It demonstrates how that cost has been financed from general government grants and income from local taxpayers.
- *Statement of the Movement on the General Fund Balance*
The Income and Expenditure Account brings together all of the functions of the authority and summarises all of the resources that the authority has generated, consumed or set aside in providing services during the year. However, this accounting basis is currently out of line with the statutory provision that specify the net expenditure that authorities need to take into account when setting local taxes. In order to give a full presentation of the financial performance of an authority during the year and the actual spending power carried forward to future years, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provisions. This statement provides this reconciliation.
- *Statement of Total Recognised Gains and Losses*
Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. This statement brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the authority's net worth for the year.
- *Balance Sheet*
This shows the financial position of the Council as a whole and summarises all of its assets and liabilities as at 31st March 2009.
- *Cash Flow Statement*
This summarises the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

The Collection Fund:

This statement shows the income received from Council Taxpayers and Non-Domestic Ratepayers and how the income is distributed.

The Group Accounts:

The Statement of Recommended Practice requires the preparation of a group revenue account and group balance sheet where a local authority has interests in subsidiaries, associated companies and joint ventures that are material in aggregate.

The Firefighters' Pension Fund:

The purpose of the firefighters' pension fund is to provide a basis for demonstrating the balance of cash-based transactions taking place over the year and for identifying the arrangements needed to close the balance for that year.

Isle of Wight Pension Fund Accounts:

This summarises the income and expenditure transactions of the Pension Funds in order to provide information about the financial position, performance and financial adaptability of the funds.

The Statement of Accounting Policies:

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. In certain circumstances, where more than one

accounting basis or estimation technique is acceptable, the accounting policy and/or estimation techniques followed can significantly affect an authority's reported results and financial position.

The Statement of Responsibilities for the Statement of Accounts:

The purpose of this statement is to set out the authority's responsibilities for the accounts under local government legislation and other requirements, and the chief financial officer's legal and professional responsibility for the accounts.

2. **Financial Summary**

The Income and Expenditure Account brings together all of the financial activities of the Council for the year. It summarises the revenue income and expenditure contributing to the provision of services and shows how it was financed from Council Tax, Government Grants, customers and service users. The statements have been produced in accordance with the Code of Practice on Local Authority Accounting and the Best Value Accounting Code of Practice.

The Council invests a significant amount of money each year in capital projects that create a new asset or enhance an existing asset, and which have a useful life beyond one year. Expenditure on capital projects can be financed from a combination of loans, capital receipts, grants, contributions and revenue resources.

(a) **Revenue Expenditure and Income**

Budget

The Council's 2008-09 grant settlement from the Government resulted from the 2007 Comprehensive Spending Review (CSR07) which set out the amount of Revenue Support Grant and Business Rates redistribution that the Council will receive over the three years commencing in 2008-09. In overall terms it was a settlement which gave little scope for growth over the coming years. The position is made worse by the significant level of grant that is taken away through 'damping'. For this Council, this amounts to £11.658 million over the three year period. This represents resources that are rightly due to the Island based on the Government's formulae, but are taken away through a damping mechanism to help fund other Councils who would otherwise lose more grant if the formulae were rigorously applied.

The Medium Term Financial Plan (MTFP) sets out the resources and the projected costs of services of the next three years. It included a range of assumptions about inflation and service pressures. Key issues were featured as part of the MTFP including:-

- Costs of current recurring budget pressures such as Concessionary Fares
- Volume increases related to Placement of Children and Adults in Care
- Initial growth and savings for strengthening key areas such as Planning, Finance, Legal, Engineering Services and Customer Services
- The revenue costs of the capital programme
- A provision for new growth to direct more resources to the corporate vision and priorities
- Savings targets from efficiencies and business transformation
- Council Tax at Retail Price Index (RPI)
- The use of balances to meet the remaining shortfall

The Council's Medium-Term Revenue and Capital Budget Strategy approved in February 2009 set out the funding requirements for the next three years. This involves the use of the General Fund balances in such a way that enables the Council to deliver a coherent strategy, invest in priorities, modernise in a planned way and deliver a Council Tax increase in line with inflation over time.

Essentially the Strategic Budget choices facing the Council relate to a balancing act between a number of factors principally involving capital investment, service improvement/growth and redirecting resources to new priorities. Any resultant resource gap needs to be met through Council Tax increases, savings, efficiencies and service reductions, increase in fees and charges and the use of reserves in the short term.

It also needs to consider the relative impact of these factors on residents, Council Tax payers, service users, businesses, the voluntary sector and on the outcomes that it is trying to achieve through the corporate vision.

The 2008-09 revenue budget directed resources towards priority areas, funded in the main by efficiency savings and income generation and, to a lesser extent, redirection of resources away from areas which did not contribute sufficiently strongly to the delivery of key outcomes. As a result, additional net expenditure of £15.307 million was identified as being required for services. Key areas were in care packages for children, young adults and the elderly (£2.570 million), improvements to Public Realm services (£0.715 million), Concessionary Fares (£1.690 million) and other service improvements (£3.375 million). In addition, £1 million was set aside as a provision for priorities, £4.401 million for inflation and other pressures and £1.556 million for the revenue impact of capital investment. This £15.307 million increase was offset by £4.721 million in efficiency savings, £3.257 million in increased formula grant, a £2.329 million increase in Council Tax and a £5 million withdrawal from reserves.

Consequently, the Council set a Council Tax increase of 3.9% in line with inflation.

The Council's net revenue budget for 2008-09 was £123.875 million (including parish precepts) and the estimated balance on the General Fund at year-end was £15.200 million. Subsequent to the 2008-09 budget being set, the final position on the 2007-08 net expenditure resulted in a higher contribution to the General Fund, resulting in a revised balance of £16.001 million at 31 March 2008.

In-year pressures and Revised Budget

There have been a number of significant in-year pressures identified in relation to the revenue budget, which have been managed through the Directors' Team and the Service Board process. This was particularly the case in a number of service areas which suffered budget problems as a direct result of the credit crunch/economic downturn. This had an impact on the costs the Council incurs in delivering services and the income it receives from fees and charges. The results of the management action taken in the first half of the financial year to control these pressure areas was set out in a report to Cabinet identifying key issues and proposing a reprioritisation of resources to ensure delivery within budget in 2008-09. The report was approved by Cabinet on 2 December 2008 and the revised budget and net outturn position is shown below. These figures relate only to the 'cash limited' management accounts which exclude accounting adjustments relating to items such as retirement benefit costs and depreciation charges.

	Revised Budget	Actual Spend	Carry-overs	Net over/(under) spend
	£'000s	£'000s	£000's	£'000s
Children's Services	21,045	20,277	784	16
Adult & Community Services	46,320	46,844	349	873
Environment & Neighbourhoods	33,536	32,247	480	(809)
Central services	19,020	18,486	380	(154)
Corporate Items & Financing	7,691	6,984	267	(440)
Total Expenditure	127,612	124,838	2,260	(514)
Financed from:				
Formula Grant	(56,747)	(56,747)		
Council Tax	(65,865)	(65,865)		
Transfer from General Fund	(5,000)	(5,000)		
Under-spend carried forward	0	2,260		
Applied to General Fund balance	0	514		
Total Financing	(127,612)	(124,838)		
General Fund Balance				
Opening General Fund Balance	(16,001)	(16,001)		
Use of Balances	5,000	5,000		
Net underspend	0	(514)		
Closing General Fund Balance	(11,001)	(11,515)		

Details of significant variations are analysed as follows:

- Children's Services – additional budgets required for Residential Placements (£0.477 million), Beaulieu House (£0.219 million) and in other service areas (£0.339 million) which were managed within the Directorate budget; following a number of requests for carryovers of service underspends and ring-fenced grants, the budget was delivered with a small overspend at year end.
- Adult and Community Services – the revised budget identified a potential net saving of £0.322 million as a contribution to the corporate budget requirement. However, assumptions relating to reimbursements of Learning Disability Continuing Health Care packages were not realised as originally anticipated and this had an adverse impact of £0.830 million. Furthermore, the identification of outstanding Adult Care commitments at year end from an in-depth review of files resulted in further expected expenditure leading to a net directorate overspend at year end of £0.873 million.
- Environment and Neighbourhood Services – an additional budget of £0.852 million was made available for the increased costs of the Concessionary Fares scheme, £0.992 million for an estimated shortfall in Parking Services income and a further £0.550 million for a shortfall in Planning income. These increases were partly offset by a £0.315 million Housing and Planning Delivery Grant. By the end of the financial year the situation had improved and after allowing for carryovers there was an underspend against the adjusted budgets of £0.809 million, although a considerable overspend when compared with the original budget.
- Corporate items and Financing – the underspend is due to savings in interest paid resulting from the reappraisal of the capital programme and savings in the Minimum Revenue Provision for the repayment of external debt, offset by premiums arising from the early settlement of debt which will deliver further benefits in interest savings in future years. In addition, the Council received £0.658 million through the Local Authority Business Growth Initiative Scheme (LABGIS) grant and also benefited from additional interest earned on the temporary investment of cash balances in

the money markets. This allowed a contribution of £1.801 million to the corporate budget requirement which was offset by contributions to reserves at year end, in particular £1.150 million to the Highways PFI reserve and £0.667 to the Non-Insurable Risk Reserve.

Carry-overs and Outturn position

Emphasis has been placed on carryovers which allow maximum flexibility in 2009-10 for delivery of the Council's transformation programme and strategic priorities.

The net result after carrying forward £2.260 million into 2009-10 is an underspend of £0.514 million, contributing to a General Fund at 31st March 2009 of £11.515 million.

The balance of earmarked reserves at 31 March 2009 is £16.490 million. Further details are contained in Note 34 to the Accounts.

(b) Capital Expenditure

In 2008-09 the Council spent £22.538 million on capital projects. This was £4.524 million less than the budget of £27.062 million and resources are available to be carried forward to meet areas of slippage in the capital programme. Most capital investment is financed by borrowing which is agreed by central Government over a period of years. At 31 March 2009, the total net borrowings were £115.1 million.

The main areas of expenditure related to road improvements, coast protection schemes and school building improvements. Further details are given in Note 16 to the Accounts.

A summary of Capital expenditure by service area is as follows:-

Service Area	Revised Estimate	Actual Spend	Net Over/(under) spend
	£000's	£000's	£000's
Children's Services	10,335	6,671	(3,664)
Community Services	2,603	2,494	(109)
Environment & Neighbourhoods	7,981	7,780	(201)
Resources	5,507	5,018	(489)
Chief Executive	92	67	(25)
Contingency	267	231	(36)
	26,785	22,261	(4,524)
Isle of Wight Economic Partnership projects	277	277	0
Total Expenditure	27,062	22,538	(4,524)

Financed by:-

Increase in Capital Financing Requirement	12,842
Grants & Contributions	5,950
Capital Receipts	2,200
Revenue Expenditure funded by Capital Resources under Statute	1,546
Total Financing	22,538

Significant amounts of slippage have occurred in the delivery of certain capital projects. There are a large number of projects in each area and the principal reasons for slippage are as follows:-

- Children's Services:- devolved school budgets, school improvement schemes and Cowes High School Pathfinder scheme
- Environment and Neighbourhoods:- Ryde Gateway and Highways Improvements
- Resources:- Improvements to Council buildings within the property programme and ICT infrastructure.

(c) Main Issues in preparing the Statement of Accounts

- The 2008 SORP introduced a revised basis for valuing pension fund assets for the FRS 17 Retirement Benefits disclosures which bring them into line with International Financial Reporting Standards (IFRS). As a result of this change in Accounting Policy, quoted securities held as assets in the Local Government Pension Scheme are now valued at bid price rather than mid-market value. The effect of this change is a reduction in the value of scheme assets of £0.439 million and a corresponding increase in the pension deficit. The previous year comparative figures have also been restated.
- Other recent changes to FRS17 have revised the disclosure requirements and these have been incorporated into Note 28 to the Accounts. The Net Pension Liability at 31st March 2009 is estimated to be £145.710 million and the implication of this is set out in the note.
- New arrangements commenced on 1st April 2006 for the Fire-fighters' Pension Scheme. The pension scheme remains unfunded but is no longer on a pay-as-you-go basis as far as an individual Fire and Rescue Authority is concerned. The fund is topped up by Government grant if contributions are insufficient to meet the cost of pension payments, while any surplus in the fund is recouped by the Government. As at 31 March 2009, there is a balance of £0.699 million payable to the authority by the Government and this has been included in both the FRS17 disclosure and the Income and Expenditure Account.
- From 2008-09, the Council is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Previously the Council was required to make an annual provision equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement.
- Prior to the 2008-09 SORP, the Council used deferred charges to recognise expenditure that regulations permitted to be funded from capital resources, but which did not satisfy the SORP's criteria to be classified as capital expenditure. Examples of deferred charges included work on property not owned by the authority and grants for economic development purposes where the grant was to be spent on capital items. The 2008 SORP has effectively replaced deferred charges with a new category of expenditure termed as Revenue Expenditure Funded from Capital under Statute. This change in Accounting Policy has no impact on the amount to be met from Council Tax.
- The 2008 SORP permits the presentation of the Cash Flow Statement by the indirect method which removes the requirement for a detailed breakdown of revenue cash flows. The indirect method has been adopted and the previous year comparative figures have been restated on the same basis.
- From April 2008, grants amounting to £8.076 million that that were previously paid by the Government to the Council as specific grants were included as part of the Area Based Grant (ABG) distribution. In addition, grants amounting to £0.473 that were previously received by the Council as Local Area Agreement (LAA) grants were included with the Revenue Support Grant (RSG), together with grants to the value of £2.147 million that were previously specific grants. Due to the differences in the way that these types of grant are presented in the Income and Expenditure Account for 2008-09, there is an impact on the comparability with the 2007-08 figures, particularly with Adult Social Care Services and Children and Education Services divisions.

- Local Authority Business Growth Incentives (LABGI) delivers financial rewards directly to local authorities that promote continued economic growth in their local areas by allowing them to retain increases in revenue derived from business rates. This additional money is not ring-fenced and is designed to encourage local authorities to build partnerships with local business and promote long-term economic sustainability in their areas. The Council received £0.267 million in 2008-09 and this is included within General Government Grants on the face of the Income and Expenditure Account. The whole of the amount received has been allocated to Earmarked Reserves and will be used to augment economic regeneration projects in 2009-10.
- The Local Government Act 2003 introduced the Prudential Code as a framework under which a local authority's capital finance decisions are carried out. This Act requires local authorities to demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and treasury management decisions are taken in accordance with professional good practice. The Code is mandatory and applied from April 2004.
- The Revaluation Reserve replaced the Fixed Asset Restatement Account (FARA) on 1 April 2007. The balance on the FARA at 31 March 2007 was written off to the Capital Financing Account to form the new Capital Adjustment Account. The Revaluation Reserve was then included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2009 therefore only shows revaluation gains accumulated since 1 April 2007.
- Impairments - the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:
 - where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
 - otherwise –written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

- expenditure that secures but does not extend the previously assessed standards of performance of an asset (eg repairs and maintenance) is charged to revenue as it is incurred.
- Impact of the Economic Climate – the 2008 SORP requires tangible and intangible assets to be carried in the Balance Sheet at current value and to be revalued at intervals of not more than five years. There is an inherent presumption that the values of assets will not change materially in a five year period. However, authorities are expected to consider revising asset values at each year-end if circumstances warrant this. In particular, the present economic climate has resulted in more volatile asset values, and LAAP Bulletin 81 – Closure of the 2008-09 Accounts and Related Matters, recommends that authorities should consider whether circumstances have changed to the extent that an impairment is indicated, and some or all asset values should be revised. National indicators suggest there has been a general reduction in value of most properties, and this suggests authorities should carry out a full impairment review. However, asset values should only be revised where values have changed by a material amount.

Local circumstances determine whether asset values need to be revised in each local area, hence each local authority must make its own decision as to whether this is appropriate. Rather than carry out a full review of every asset in turn, using a sample of properties would be likely to provide sufficient evidence of the extent of any impairment of asset values and whether this needs to be recognised in the accounts. The Council's property portfolio carries 785 asset values of which 20% are valued each year on a five year rolling basis, but including some properties which are valued on an annual basis. The most recent review at 31 March 2009 reflected the impact of the current economic climate on property values on the Isle of Wight, and indicated that many more properties in the sample (66%) increased in value when compared with the number of properties in the sample (12%) that decreased in value. Whilst it is acknowledged that there will have been an underlying reduction in build costs due to materials and labour costs, overall build costs have still tended to increase as a result of a number of other issues having an impact. On this basis the Council does not believe that its asset values have been over-stated in the accounts, and that the impact of any impairment in asset values has been taken into account when valuing a

sample of property assets at 31 March 2009.

The Council did not hold any investments with Icelandic Banks which would give rise to an impairment of financial assets.

Where it has been able to forecast that the Council would have surplus funds for the foreseeable future, the Council has opted to repay some of its long-term PWLB debt. While this has incurred a premium, it has been possible through regulations to spread this cost over future years.

The Provision for Bad Debts has been reviewed and an increase made to recognise potential debtor impairment.

- During 2008-09, Medina High School and Sandown High School have opted for foundation status. This has led to a change to the governance of these schools in that the governing body becomes the direct employer of school staff, becomes the admissions authority for the school and takes on the ownership of the school's land and assets. However, foundation schools remain local authority maintained schools in terms of receiving funding. The relevant properties have continued to be recognised on the Council's Balance Sheet as the Council still has access to the risks and benefits of the assets.
- Group Accounts – the 2008 Statement of Recommended Practice (SORP) requires local authorities to enhance their statement of accounts with information about their interest in subsidiaries, associates and joint ventures in a set of group accounts. Where applicable, this provides comprehensive accounting requirements for consolidation of the transactions and balances of subsidiaries and of interests in associates and joint ventures that will ensure group accounts provide a complete picture of the authority's control over other entities. There are no entities where the Council's interest is such that it would give rise to the requirement to prepare group accounts for 2008-09.
- Following Government approval of the Council's proposal for a Highways Maintenance PFI project, it is currently estimated that preliminary costs necessary to deliver the project will amount to £7.6 million for the period up to 2012. The opportunity has been taken as part of the 2008-09 closedown process to set aside £1.150 million in an earmarked reserve for that purpose to augment £2 million previously set-aside.

Isle of Wight Council as the Accountable Body

The authority is the accountable body for the following activities and consequently all relevant income and expenditure has been included within the Income and Expenditure Account and the assets and liabilities within the Balance Sheet.

- Rural Access to Services Programme, Leader Plus and Leader 2009-13 programmes, operated by the Isle of Wight Economic Partnership.
- The Standing Conference on Problems Associated with the Coastline (SCOPAC). The membership of this organisation is drawn from other local authorities and interested parties. Responsibility for SCOPAC has been transferred to another member local authority from 1 April 2009.

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

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

2. 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.
- 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.

3. 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 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 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 (eg 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.

4. 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 that do not represent usable resources for the council – these reserves are explained in the relevant policies below.

5. 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 (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits

Employees of the council are members of three separate pension schemes:

- The Local Government Pension Scheme, administered by the Isle of Wight Council.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Fire-fighters' pension scheme, which is an unfunded scheme administered by the Council. There are no investment assets held against the liabilities.

Both the Local Government and Teachers' schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Children's & Education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension scheme

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

- The liabilities of the Isle of Wight Council pension scheme attributed to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% based on the indicative rate of return on high quality corporate bond equal to the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years, as at the FRS17 valuation date.
- The assets of the Isle of Wight Council pension fund attributed 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 whom 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 Isle of Wight Council pension fund – cash paid as employer’s contributions to the pension fund.

In relation to Retirement Benefits, 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 this means that there is an appropriation 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 (including teachers) 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.

7. 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.

8. 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.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (eg 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.

10. 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.

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 asset (eg 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:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value.
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets and community assets - depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

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. Exceptionally, gains might 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.

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 values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise –written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, 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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the 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.

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 on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure –straight-line allocation over estimated life of asset.

Where an asset has major components with different estimated useful lives, the recommended practice is for these to be depreciated separately. This practice has not been adopted at present, and instead standard lives are used to depreciate assets. This policy is currently being reviewed and in future different estimated lives will be used for components of significant assets.

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 a Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Foundation Schools

The government's strategy for children and learners envisages a reformed school system characterised by legal and financial freedom, improved accountability and effective collaboration. The strategy sets out a range of measures aimed at giving all community and voluntary controlled secondary schools a route to greater independence by acquiring foundation status. All community schools have the option to investigate foundation status. This leads to a change to the governance of the school such that the governing body becomes the direct employer of school staff; becomes the admissions authority for the school; takes on the ownership of the school's land and assets. However, foundation schools remain local authority maintained schools in terms of receiving funding.

During the course of 2008-09, two of the Island's High Schools (Medina High School and Sandown High School) have opted for foundation status. As a result of this change, the Council has adopted an accounting policy of dealing with the properties used to provide services in accordance with FRS 5 i.e. that the property continues to be recognised as an asset on the Council's Balance Sheet since the Council still has access to the risks and benefits of the assets.

Donated Assets

Following a change in the accounting requirements for donated assets to comply with SORP 2007, authorities with donated assets are required to recognise these as fixed assets on the Balance Sheet, with the corresponding entry being in the Government Grants Deferred Account as if the Council had received a cash grant to fund the purchase of the asset. The Council has received three New Dimension vehicles donated to the Fire and Rescue Service in recent years and has amended its accounting policy to treat these assets in accordance with the requirements of the SORP.

11. 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 reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. With regard to 2008-09, the Council made MRP in accordance with the Regulatory Method 3 (asset life equal instalment) in respect of the Capital Financing Requirement calculated to be outstanding at 1 April 2008. This has the impact of equalising the repayments with the remaining asset life with no adverse impact on the General Fund. 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.

12. 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 a fixed assets 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 to the Statement of Movement in the General Fund Balance so there is no impact on the level of council tax.

13. Leases

Finance Leases

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

- a charge for the acquisition of the interest in the assets (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 by 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.

14. 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 the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

Where premiums and discounts are 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 gain/loss over a period not exceeding the term that was remaining on the loan against which the premium was payable or discount receivable 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.

15. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income 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.

However, the council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, where material 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 outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, 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 amounts debited and credited to the Income and Expenditure Account to the net gain 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. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

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

A review of soft loans has been undertaken and these are not considered to be material for the purposes of the 2008-09 Statement of Accounts.

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 (eg, dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

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

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

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

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

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

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

16. Stocks and Work in Progress

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

17. Pooled Budgets

Section 75 of the National Health Service Act 2006 (previously Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000) enable establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. Memorandum accounts are prepared relating to pooled budget agreements between the Isle of Wight Council and Isle of Wight NHS Primary Care Trust. All relevant income and expenditure is included in the relevant division of service in the Income and Expenditure Account and year-end balances are shared pro-rata on the basis of contributions made.

18. Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and that would require it to prepare group accounts.

19. Private Finance Initiative

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the service passes to the PFI contractor. Payments made by the council under a contract are charged to revenue to reflect the value of services received in each financial year.

Integrated Waste Management Facilities

The Council has a long-term contract for the provision of Integrated Waste Management Facilities. The authority accounts for this PFI contract in accordance with application note F of FRS 5 – Reporting the Substance of Transactions (Private Finance Initiative and Similar Contracts), which specifies that properties used to provide services under PFI contracts should be recognised as an asset by whichever party has access to the risks and benefits of the property. An assessment of the terms of the contract using the criteria as set out in application note F has resulted in the Waste PFI being accounted for as ‘off-balance sheet’ and consequently the assets not being included in the Council’s fixed assets statement.

Assets which were contributed to the PFI contract by the Council are accounted for as a deferred consideration which is shown in the Balance Sheet as a long-term loan. This is then written-down (charged) to the Income and Expenditure account over the life of the contract. However, as this charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax.

Due to the nature of the contract, it is anticipated that the residual value of assets, both contributed and created or enhanced by the contractor, will be nil by the end of the contract (October 2015), apart from the value of the land included in the transferred assets.

The additional revenue costs of the integrated waste management project, over and above the Council’s existing budgetary provision for waste management, is met through government grant (PFI credits). This grant is credited to the Income and Expenditure Account under the appropriate service heading.

20. Estimation Techniques

Estimation techniques have been chosen in order to most closely reflect the economic reality of the transactions or other events to which the relevant accounting policy refers. Where precise amounts are not known at year-end, figures are included in the accounts on an estimated basis using the best information available at the time. In particular, Housing Benefit Subsidy is included in the accounts on the basis of an estimate, as the claim form is not finalised and audited until a later date.

The Accounts and Audit Regulations (Amendment) (England) Regulations 2006 require local authorities to have the accounts approved by members on or before 30 June each year. Estimates have been used where appropriate if the approval process would be delayed by waiting for actual figures to become available.

There are no estimates in the 2008-09 accounts which would materially affect the fair presentation of the accounts had a different estimation technique been applied.

THE 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 Director of Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts.

The duties of the Chief Financial Officer are currently carried out by the Director of Resources.

The Director of Resources' responsibilities

The Director of Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Director of Resources has:

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

The Director of Resources 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 the Statement of Accounts for the year ended 31 March 2009 required by the Accounts and Audit (Amendment) (England) Regulations 2006 is set out on pages 29 to 94.

I further certify that the Statement of Accounts presents fairly the financial position of the Authority at 31 March 2009 and its income and expenditure for the year then ended.

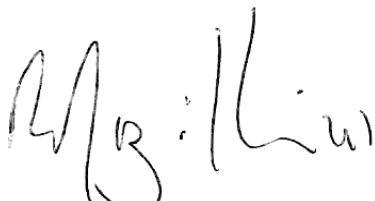


Director of Resources

Date: 15/6/2009

I certify that the Statement of Accounts for 2008-09 was approved at the Audit Committee meeting held on 22 June 2009.

Signed:



Chair of Audit Committee

Date: 30/6/09

Annual Governance Statement

Scope of Responsibility

The Isle of Wight Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

This Statement outlines how the Council has complied with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government for the financial year ended 31st March 2009.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place for the year ended 31st March 2009 and (subject to the change made at the annual Council meeting on 17 June 2009, detailed in the following section) up to the date of approval of the published financial statements.

The Governance Framework

The governance framework is extensive and complex but the key elements of the systems and processes that comprise the authority's governance arrangements are detailed below.

The Council's strategic direction is encapsulated in the Eco Island vision. This aims to enable the Isle of Wight to become a world renowned Eco Island, with a thriving economy, a real sense of pride and where residents and visitors enjoy healthy lifestyles, feel safe and are treated with respect. The vision is underpinned by the four strategic themes comprising the One Island programme:

- A thriving island
- A safe and well kept island
- A healthy and supportive island
- An inspiring island
- Modernising the Council.

The vision is refreshed by annual opinion surveys of local citizens to determine if priorities need to be revised. An opinion survey was conducted during 2008/09 financial year and the outcomes were factored in to the One Island programme. The outcomes of the annual opinion surveys are evaluated to determine if there are any implications for the authority's governance arrangements with appropriate amendments being made as necessary.

The Council has a range of performance indicators and targets used to measure progress against key priorities. The indicators include a mixture of nationally and locally set performance measures which measure performance in achieving the Council's statutory requirements. Directors and Cabinet Members have agreed objectives/targets for which they are jointly responsible and held to account for effective delivery by the Chief Executive and the Leader. These objectives/targets derive from the Corporate Plan and percolate down through service plans and team plans into personal objectives.

The Council has a clear commitment to embedding performance management consistently through all services, collecting data to inform the process and identify any areas where further action may be needed to secure improvement. As stated previously, performance is reported on a regular basis to the Cabinet, utilising the CorVu system to identify specific issues which may have an impact on the Council's ability to deliver its principal objectives, and identifying action plans for improving performance. Reports on performance against objectives are considered on a monthly basis by directorate management teams through the mini service board process and quarterly by directorate management teams, Directors Team, Cabinet and Scrutiny Committee.

The Council has adopted a constitution which sets out the framework within which the Council operates, how decisions are made and the procedures to ensure that they are efficient, transparent and accountable. The constitution has been subject to a major review and a revised constitution was agreed by Full Council in 2008/9.

The Cabinet is responsible for the majority of the functions of the authority, within the budget and policy framework set by Full Council. Executive decisions can be taken by the Cabinet, by cabinet members or by officers acting under delegated powers, depending upon the significance of the decision being made. A Forward Plan is published two weeks before the first day of each calendar month providing details of key member decisions to be taken in the next four months. This enables consideration by other elected members, the public and Directors, in time for advice and recommendations to be made should it prove necessary. The Scrutiny Committee has the ability to call-in decisions and seek detailed information in relation to the decision taken, during which period the decision cannot be implemented. A separately constituted Audit Committee oversees the Council's external audit, internal audit and risk management arrangements.

The annual Council meeting held on 17 June 2009 approved a revision to the Council's scrutiny arrangements. This established an Overview and Scrutiny Corporate and Coordinating Committee supported by four Overview and Scrutiny Panels:-

- Children and Young People
- Adult Social Care, Health and Housing
- Environment, Transport and Infrastructure
- Fire and Community Safety

A Monitoring Officer has been appointed by the Council. The Monitoring Officer has a duty to report on any actual or likely decision which would result in an unlawful act or maladministration. All decisions to be taken by members are supported by a legal assessment provided by appropriately qualified officers.

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its senior officers has ultimate responsibility for the administration of those affairs. The Director of Resources is designated as that officer in accordance with S151 of the Local Government Act 1972. All key decisions are supported by a financial assessment provided by a named financial officer.

The Council has established policies and procedures to govern its operations. Key within these are the Financial Procedure Rules, Procurement Code and Contract Standing Orders, Risk Management Policy, Codes of Conduct for Members and Officers, Anti-Fraud and Corruption Policy, a Whistleblowing Policy and Human Resources Policies. Ensuring compliance with these policies is the responsibility of all managers throughout the Council. In addition, Internal Audit carries out regular checks throughout the year to ensure policies are complied with and should instances of non-compliance be identified, relevant management action is recommended to secure future compliance.

The Members Code of Conduct is prescribed by legislation and is communicated to members through regular training. Adherence to the code is reinforced by the Ethical Standards Committee which has overview of the conduct of elected members.

The Staff Code of Conduct is communicated to staff as part of the induction process for new staff members.

Contract Standing Orders set out the rules governing the procurement process to ensure that value for money is achieved whilst meeting all legal and statutory requirements and minimising the risk of corruption. The Procurement Code provides detailed procedural guidance on how to procure within the rules and the Procurement Board, composed of senior officers, monitors compliance with the procurement rules. Financial Procedure Rules set out the standards which officers must meet when conducting financial transactions.

The scheme of delegation sets out the levels of authority for decision making ranging from decisions that can be made by the full council at the top, to the decision making powers of individual officers further down the hierarchy.

A risk management framework has been in place across the Council for some years with the objective of embedding effective risk management practices at both strategic and operational levels. During 2008/9, the Risk Management Strategy and Policy Guidelines were revised and updated.

These key controls are subject to periodic review and update to ensure that they are relevant to the needs of the organisation.

The role of the Audit Committee is to oversee the financial reporting process and provide independent assurance of the adequacy of the risk management framework and the associated control environment. It is an independent committee comprising seven members selected for their interest in and knowledge of Audit Committee business.

The Council operates a formal complaints management process which seeks to ensure that, when a service user is dissatisfied with the Council's services, that is fed back providing a valuable source of information to identify opportunities to improve services to the public.

The council also maintains a confidential reporting policy (referred to as the Whistle-Blowing at Work Policy). This aims to ensure that serious concerns about malpractice or wrongdoing are properly raised and addressed. This policy addresses the provisions that are required from the Public Interest Disclosure Act 1998.

In 2006/07, the Council adopted an Elected Member Development Policy. This aims to ensure members are properly equipped to effectively fulfil their responsibilities in the governance of the Council's operations.

The Council has established a corporate Development Review Process. This provides an annual appraisal which identifies training and development needs and an appropriate programme of training is developed and delivered.

Effective and efficient communications and consultation is regarded as a high priority for the council and it has invested in building strong and proactive teams in order to deliver that. The council consults residents each year as part of the budget setting process and feedback has enabled the authority to set annual spending programmes that address the concerns and aspirations of the local population. The council also consults residents annually in May through the residents' survey and feedback from the budget consultation and residents' survey feeds into the One Island programme and helps to improve services and influence decision-making.

The drive for joined-up government continued in 2008/09 with the aim of producing better services for the public through the exploitation of the obvious synergies available through cooperative working between different public service providers. These relationships are evidenced by partnership agreements. During the year, the council's partnership arrangements were mapped and key attributes for each partnership recorded on a central database. Significant partnership arrangements were identified by the Director's Team and risk registers were developed for these arrangements.

Review of Effectiveness of the Governance Framework

The Isle of Wight Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied by the Council in maintaining and reviewing the effectiveness of the system of internal control during 2008/09, and in the period to publication of this statement, includes:

- The Monitoring Officer and her staff have a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose.
- The Cabinet, both collectively and individually through the scheme of delegation, is responsible for considering overall financial and performance management and receives comprehensive reports on a quarterly basis. Monthly reports on aspects of performance and financial management, in particular significant exceptions and progress with achieving targets, are taken to Service Boards together with action plans for dealing with corporate risks.
- The Council has established four Policy Commissions as part of the overview and scrutiny function. The principal role of the Commissions is to deliver evidence based policy recommendations to the Cabinet, and which are capable of being adopted by the Cabinet. These Commissions have detailed work programmes reflecting the priorities of the administration, and provide stakeholders with the opportunity to participate in Council initiatives and matters of public concern.

- There is a well resourced Scrutiny Committee which is chaired by a member of an opposition group and includes a number of co-opted independent members. This Committee is wholly independent of the Executive functions of the Council, has developed its own work plan, and is responsible for delivering independent scrutiny of service and financial performance, decision making processes, efficiency and effectiveness in achieving the Council's objectives.
- The Council has an established Audit Committee, also independent of the Executive functions of the Council, and responsible for overseeing internal and external audit, risk management processes, reviewing the adequacy of internal controls and the outcome of external inspections as well as reviewing performance at a corporate level.
- Internal Audit provides an independent assessment of, and assurance over, the effectiveness of the Council's internal control processes including its risk management and governance arrangements. Internal Audit's work is undertaken in accordance with the annual audit plan which is prepared by the Chief Internal Auditor using a risk assessment in order to prioritise audit coverage. The audit plan is approved by Audit Committee. Reports are issued to service managers at the conclusion of each audit; where appropriate, these reports include recommendations for improvement and a timetable for implementation. Such recommendations are subsequently reviewed to ensure effective action has been taken. The results of audit work are regularly reported to Audit Committee. The audit plan is subject to regular review and discussion with the Council's external auditors, who place reliance on internal audit work when forming their own judgements about the effectiveness of internal control arrangements across the Council's services.
- The external auditor's Annual Audit and Inspection Letter is considered by the Cabinet and by the Audit Committee. Monitoring of progress towards implementing recommendations contained in the letter takes place as required.
- The Council has a Risk Management Group which includes a 'risk champion' to represent each service area. The group meets on a quarterly basis to consider best practice in risk management, review the risk register and service risks, identify strategic risks and to ensure that consistent management action is being taken to minimise risk to the Council's operations.

The System of Internal Audit

The Accounts and Audit Regulations (Amendment) (England) 2006 introduced a requirement, from 2006/7 onwards, for each authority to undertake an independent review of the effectiveness of its system of internal audit and to incorporate the outcome of that review within the Annual Governance Statement. A review against the CIPFA Code of Practice for Internal Audit (2006) was undertaken in May 2008 and independently validated by the Head of Audit at Portsmouth City Council. An action plan was put in place to address the improvement opportunities identified by that review. The review has been repeated in May 2009 with the only significant matter requiring rectification being finalising a revised internal audit manual.

Subject to this outstanding issue, an effective internal audit service has been provided across the Council throughout 2008/9.

The Assurance Process

To support the preparation of this statement, the Director of Resources has co-ordinated an assurance process. Directors and Heads of Service were required to provide assurances that key elements of the internal control framework were in place during 2008/9 in their service area and, where appropriate, to identify areas of control weakness and action to be taken to resolve the weakness including a timescale for implementation of these actions.

Once all assurance statements had been received, the Chief Internal Auditor carried out an independent review of the statements, the risk register and other supporting evidence in order to draw some conclusions about the effectiveness of internal control across the Council.

The draft AGS, background information and other supporting documents were considered at a meeting of the Risk Management Group. Suggested amendments to the draft document were recorded and those accepted have been included in the final draft.

The amended draft AGS, background information and other supporting documents were considered at a meeting of the Audit Committee on 21st April 2009.

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

Signed:


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Date: 3/7/09

Steve Beynon
Chief Executive

Signed:


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Date: 7/7/09

Cllr David Pugh
Leader of the Council

Annual Governance Statement - Significant Issues

A number of significant issues have been identified for potential inclusion in the 2008/9 Statement. These are outlined in the table below and have been identified through the assurance statements provided by Heads of Service, review of the Council's risk registers and the results of external inspection processes. For each weakness, the table incorporates planned action to be taken to resolve the identified weakness. These issues relate to either:-

- The implementation of Council strategies and policies,
- The delivery of Council services, or
- Governance

1. Implementation of Council Strategies and Policies

No.	Issue	Action Planned/Undertaken
1.1	<p>Equality & Diversity The Council needs to ensure it continues to make progress towards meeting its equality and diversity obligations.</p> <p>(Lead: Director of Corporate Services)</p>	<p>A Diversity Board chaired by the Chief Executive has been established to secure collaboration across the council to drive through improvements that need to be made. The council has been actively engaged in the South East Regional Fire Service project to support the Fire Service in securing accreditation against the Equality Standard for Local Government. The project has provided a focus and pilot for the council to progress in its improvement journey and to ensure that there are clear links to business priorities. Support made available by the Improvement and Development Agency (I&Dea) to the project has been extended to the wider organisation and as a result, a number of workshops have taken place with senior managers and individual directorate management teams to develop the action plans to be monitored by the Diversity Board. Following the implementation of the Single Equality Act 2007, there has been a need to merge the council's existing Equality Scheme into a Single Equality Scheme. The council has worked in partnership with the Isle of Wight NHS Primary Care Trust to develop a joint scheme and is now ready to launch the consultation document.</p>
1.2	<p>Procurement Whilst revised procurement processes are in place and fully established across the Council's procurement activity, there is a need to establish and resource a management structure and operations (at both the strategic and operational levels) to meet the medium and longer-term needs of the Council.</p> <p>(Lead: Director of Resources)</p>	<p>Procurement Strategy in draft. This needs to be finalised, approved and implemented by 30th June 2009. An independent review of procurement processes is planned to be completed during financial year 2009/10.</p>
1.3	<p>Project Management Whilst much has been achieved in 2008/9, there is a need to continue to develop the capacity and capability of project management resource across the Council to meet the Council's needs.</p> <p>(Lead: Director of Resources)</p>	<p>The restructuring in December 2008 has fully recognised the importance of strategic project management. The modernisation service has been renamed Strategic Projects and the Head of Service now has accountability for providing challenge and support to the planning and delivery of projects. Lessons from 2008 have been learned and appropriate actions are being implemented. These actions include:</p> <ul style="list-style-type: none"> • Revision of the project management framework • A remit to challenge projects throughout the project lifecycle (from pre-approval to closure) to provide assurance that projects are managed in accordance with the policy and framework. • A focused approach to knowledge transfer from external consultants. • The planned development of the CorVu system to further integrate project reporting into the performance management framework • Selection of suppliers within the wider management development programme to provide project management training. <p>This should ensure the achievement of compliance with corporate standards through a process of continuous review of all significant projects.</p>
1.4	<p>Health & Safety The council needs to ensure that there is corporate ownership of health and</p>	<p>A Health and Safety Board chaired by the Chief Executive has been established to secure collaboration across the council to drive through the improvements that need to be made in the management arrangements for health and safety. The health and safety function has been transferred to the Human Resources Service and re-configuration of</p>

	<p>safety management arrangements in order to continue meeting its legislative obligations. (Lead: Director of Corporate Services)</p>	<p>the advisory team has now been concluded. A Health, Safety and Welfare Manager is in post and the capacity of the advisory team is currently being reviewed. The council's Health and Safety Policy and management arrangements have now been formally reviewed. An external audit has provided the necessary framework through which an action plan has been developed and will be monitored by the Health and Safety Board.</p>
1.5	<p>Value For Money The Council lacks the framework to routinely achieve and demonstrate value for money in its operations. It continues to receive a judgement by the Audit Commission (as part of its Use of Resources assessment) that it is performing only adequately in terms of Value for Money. (Lead: Director of Resources)</p>	<p>The Value for Money Strategy and Action Plan were approved by Directors Team and Cabinet on the 31 March 2009. This new strategy and revised action plan provide detailed actions that will when delivered secure improved value for money for the council and will improve the direction of travel and use of resources scores for the council.</p> <p>The BSIP SAP project remains a key project in the business transformation of the authority and will underpin the bulk of future efficiencies across the council - the first phase of the implementation of the project has been undertaken with the finance and procurement functions turned on. Further testing and the bedding in of new processes will be undertaken before benefits realisation and savings identification are carried out across the council.</p>
1.6	<p>Civil Contingency/Emergency Planning Fire and Rescue service has capacity issues relating to balancing prevention, protection and operational pre-planning, combined with resilience and availability of staff within the retained duty system. The Isle of Wight Council's emergency response arrangements are in need of review as has been highlighted during several recent incidents and the following structured debriefs. A revised Emergency Response Plan needs to be published in order to ensure the Council's continued effective response to emergencies. This will need to be supported with a programme of training and exercising in order that staff are familiar with emergency procedures. Further work is required in order to raise awareness and embed response arrangements with service areas. (Lead: Director of Environment and Neighbourhoods)</p>	<p>Proposed restructure of operational resources based upon a detailed analysis of current and future community risks.</p> <p>The Isle of Wight Council emergency duty rota system has been amended in order to include Heads of Service in response arrangements. This was enabled by an amendment to Heads of Service' job descriptions and supported by training sessions run by the Cabinet Office Emergency Planning College in March 2009.</p> <p>Actions planned:</p> <p>Review and amendment of Isle of Wight Council Emergency Response Plan.</p> <p>Review and amendment of Rest Centre Plan.</p> <p>Development of service area response arrangements.</p> <p>Development of training and exercising programme to support Isle of Wight Council response plans.</p> <p>There is ongoing work to produce a joint NHS, Police and Council plan to improve communications in the event of an emergency.</p>

2. Delivery of Council Services

No.	Issue	Action Planned/Undertaken
2.1	<p>Business Continuity Planning ICT disaster recovery facilities are not yet in place.</p> <p>Whilst good progress has been made in developing business continuity plans at the team level, the methodology used requires review and amendment in order to align to British Standard 25999. A corporate-level business continuity plan needs to be developed to ensure an effective response to any large scale disruption and the Disaster Recovery project is in progress. Further work is required in order to embed business continuity management within the organisation.</p> <p>(Lead: Director of Environment & Neighbourhoods)</p>	<p>Westridge DR Project – work in progress on site with completion scheduled for July/August 2009.</p> <p>The Isle of Wight Council Business Continuity Management Strategy has been reviewed and amended in order to align with BS25999.</p> <p>Work has commenced on the Disaster Recovery Site project (project manager: Richard Williams).</p> <p>Actions planned:</p> <p>Nomination and training of Resilience Leads throughout the organisation.</p> <p>Revision/production of team business continuity plans.</p> <p>Compilation of Disaster Recovery requirements from teams based on location of premises.</p> <p>Completion of the Disaster Recovery plan.</p> <p>Completion of corporate-level Business Continuity plan.</p> <p>Completion of Isle of Wight Council Pandemic Flu plan.</p> <p>Establishment of training and exercising programme to support these plans.</p>
2.2	<p>Highways Maintenance The Island's highways are subject to a significant maintenance backlog.</p> <p>(Lead: Director of Environment & Neighbourhoods)</p>	<p>IWC were successful in getting Department of Transport's (DfT) approval in principle for a £325m grant for the Highways PFI. Preparation of the Outline Business Case (OBC) for the approval of the funding is now well underway and the OBC is due to be submitted to DfT in October 2009. The capital programme for 2009/10 includes a number of large capital schemes.</p>
2.3	<p>Asset Management The condition of the Council's building stock continues to be of an unsatisfactory standard and subject to a significant maintenance backlog.</p> <p>(Lead: Director of Resources)</p>	<p>Following the Audit Commission review of Property Asset Management in 2008/9, an action plan has been prepared to address their recommendations. Implementation of that action plan has commenced.</p>
2.4	<p>ICT Weaknesses continue in the Council's ICT arrangements with key issues including IT security, heavy reliance on legacy systems and arrangements not yet in place to provide the requisite level of ICT resilience.</p> <p>(Lead: Director of Resources)</p>	<p>The ICT Strategy due to be approved in April 2009. The implementation of that strategy, the rollout of SAP, the ongoing rollout of ICT policies and the continuing enhancement of the Council's IT security arrangements through the Information Assurance project to meet best practice will address these issues.</p>

2.5	<p>Educational Performance The Council's objective to improve the educational outcomes for the Island's children continues to present a significant challenge.</p> <p>(Lead: Director of Children and Young People)</p>	<p>Over the last twelve months inspection reports on schools have shown improved outcomes and where weakness has been demonstrated the Council has taken decisive action. Performance for eleven year olds (key stage 2) remains an area of concern and is being addressed through appropriate challenge and direct support to specific schools. Monthly board meetings of the new DCSF funded improvement programme robustly challenge and monitor progress.</p>
2.6	<p>Vulnerable Clients There is a need for ongoing management to prevent the death or serious injury to a vulnerable client of the Council (child or older adult)</p> <p>(Lead: Director of Children and Young People & Director of Community Services)</p>	<p>Children The number of children in care continues to slowly reduce but the re-referral rate of children to child protection remains too high. The Directorate re-structuring with a greater focus to outcome and prevention for vulnerable young people is addressing this issue. Partnership working, particularly through the Children's Trust is supporting the development of integrated working safeguarding across all agencies, as in safeguarding and child protection training.</p> <p>Older Adults There continues to be very high activity in the field of safeguarding adults. The multi-agency safeguarding board continues to meet on a monthly basis and training is ongoing. There has been a significant increase in safeguarding referrals from all sectors which suggests that the training received is ensuring that the welfare of older people and vulnerable adults is to the forefront of practitioners' minds. The new safeguarding service manager has now commenced work and the dedicated service will be formed over the next few months. The Isle of Wight's safeguarding service has been commended by the LGA and CCI as a model of good practice in combining safeguarding with the transformation agenda.</p>

3. Governance

No.	Issue	Action Planned/Undertaken
3.1	<p>Communications</p> <p>There are opportunities to improve our consultation arrangements with the public in terms of improved coordination of consultation by different areas of the council and coordinated feedback to assess the wider impact of council policy and decision making.</p> <p>(Lead: Chief Executive)</p>	<p>There are several initiatives being pursued to mitigate this issue:</p> <ul style="list-style-type: none"> • A re-launch of the consultation guidance which will reinforce the role of communications in coordinating corporate consultation; • Setting up of a citizens panel/forum under the ISP with representative groups to help inform decision making; • Information Observatory work; bringing together council and partner consultation and information into a central hub; • A re-examination of our corporate consultation arrangements around the budget and how, for example, we can better engage with the business community and minority/hard to reach groups.
3.2	<p>Governance of Partnerships</p> <p>A sound framework for the governance of the Council's partnerships is now in place. Furthermore, the Council's partnerships have been assessed for risk and value for money is now a key component for a rolling 6-monthly review programme. However, there remains a need to embed the guidance on the establishment and maintenance of partnerships across all areas of the Council.</p> <p>(Lead: Chief Executive)</p>	<p>The process for updating and improving information and risk management of partnerships is in place and being implemented through the Council's current Partnership Map. This Map is being enhanced and updated as planned on a rolling basis reflecting the changing range and scope of partnerships. An upgrade of the Council's guidance on standards for developing and managing partnerships will be prepared by 31 March 2009. This will be published in July 2009, following the launch of the Voluntary Sector Strategy, which has been developed through a process of close co-operation with the Third Sector and public sector partners on the Island, through the Island Strategic Partnership (ISP). This will form part of the ISP's approach to socially-inclusive service provision, through its forthcoming Community Involvement Approach (due November 2009). This will serve to embed the standards and guidance not only throughout the Council but as a reference point for the entire Strategic Partnership's work programmes as it addresses the Island's priorities.</p>
3.3	<p>Climate Change</p> <p>Failure to both adapt to climate change through lack of preparation for increased impact from extreme weather events and to mitigate the risk through lack of action to reduce carbon emissions.</p> <p>(Lead: Director of Environment and Neighbourhoods)</p>	<ul style="list-style-type: none"> • The development of a carbon management plan for the Council; • The development of a carbon management strategy for the island to comply with the Nottingham Declaration; • Strategic Flood Risk Assessment – develop plans within the framework of the Island Plan to mitigate the potential impact of severe flooding; • The Council's business continuity arrangements including planned responses to major civil emergencies; • Monitor actions taken towards National Indicator Set delivery.

INCOME & 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.

	2008-09 Gross Expenditure	2008-09 Gross Income	2008-09 Net Expenditure	2007-08 Net Expenditure (note 1)
	£000's	£000's	£000's	£000's
Expenditure on Services				
Children's & Education Service	138,486	(107,015)	31,471	29,036
Adult Social Care	54,891	(9,622)	45,269	37,119
Cultural, Environmental & Planning Services	41,945	(13,206)	28,739	26,511
Highways, Roads & Transport	22,588	(8,508)	14,080	12,927
Fire Services	6,441	(203)	6,238	7,310
Housing Services (including Benefits)	53,930	(50,619)	3,311	3,091
Court Services	383	0	383	432
Central Services	16,284	(15,477)	807	385
Corporate & Democratic Core	4,461	(39)	4,422	4,312
Non-Distributed costs	3,898	0	3,898	400
Net Cost of Services	343,307	(204,689)	138,618	121,523
Loss/(Gain) on disposal of fixed assets			(1,301)	4,877
Amounts due to precepting authorities			1,264	852
Interest Payable			10,961	7,970
Contribution of housing capital receipts to Government Pool			1	2
Interest receivable			(2,496)	(2,841)
Pension interest cost & expected return on pension assets (see note 28)			6,742	2,931
Firefighters' Pension Scheme – top-up grant repayable to/(from) Government			(820)	121
Net Operating Expenditure			152,969	135,435
Demand on the Collection Fund			(67,129)	(64,142)
General Government Grants (see note 2)			(15,277)	(8,495)
Non-domestic rates redistribution			(49,813)	(43,415)
Deficit for the Year			20,750	19,383

The Income and Expenditure Account shows the council's actual financial 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 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.

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

Statement of Movement on the General Fund Balance

	2008-09 £000's	2007-08 £000's (note 1)
Deficit for the year on the Income & Expenditure Account	20,750	19,383
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(16,264)	(33,329)
(Increase)/Reduction in General Fund Balance for the Year	4,486	(13,946)
General Fund brought forward	(16,001)	(2,055)
General Fund carried forward generally available for new expenditure	(11,515)	(16,001)

The Council's Medium-Term Revenue and Capital Budget Strategy approved in February 2008 set out the funding requirement for the following three years. This strategy involved a review of resources held in Earmarked Reserves and other balances and making transfers where appropriate to the General Fund. This resulted in a net transfer to the General Fund of £13 million in 2007-08. During 2008-09, it was planned that £5 million of the General Fund balance be utilised in such a way to enable the Council to deliver a coherent strategy, invest in priorities, modernise in a planned way and deliver a Council Tax in line with inflation over time. In the event, only £4.49 million was utilised and this is consistent with the figures shown above and explains the variances between the two years in the movement on the General Fund Balance.

Note of reconciling items for the Statement of Movement on the General Fund Balance

	2008-09 £000's	2008-09 £000's	2007-08 £000's (note 1)
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year			
Amortisation of intangible fixed assets	(648)		(470)
Depreciation and impairment of fixed assets	(16,100)		(18,525)
Government Grants deferred amortisation	1,890		1,312
Revenue Expenditure Funded from Capital under Statute	(2,309)		(4,106)
Capital Grants & Contributions not deferred	2,585		5,160
Net (loss)/gain on sale of fixed assets	1,301		(4,877)
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	(2,941)		0
Net charges made for retirement benefits in accordance with FRS 17	(19,143)		(14,668)
Deferred consideration	(372)		(372)
		(35,737)	(36,546)
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			
Statutory provision for the repayment of debt	6,578		6,244
Capital expenditure charged in-year to the General Fund balance	0		0
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1)		(2)
Employers' contributions payable to the Isle of Wight Council Pension Fund and retirement benefits payable direct to pensioners	14,503		12,838
Firefighters' Pension Scheme – top-up grant repayable from/(to) Government	820		(121)
		21,900	18,959
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			
Net transfers to or (from) reserves		(2,427)	(15,742)
Net additional amount required to be credited to the General Fund balance for the year		(16,264)	(33,329)

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 or surplus 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's	2007-08 £000's (note 1)
Deficit for the year on the Income & Expenditure Account	20,750	19,383
Surplus arising on revaluation of fixed assets	(15,533)	(22,231)
Adjustments for Land & Buildings	4,254	3,821
Actuarial (gains)/losses on pension fund assets and liabilities	35,767	(29,874)
Any other (gains)/losses	(249)	(252)
Total recognised (gains)/losses for the year	44,989	(29,153)

The cumulative effect on reserves resulting from the restatement of the 2007-08 comparative figures is an increase of £2.510 million in Reserves. This comprises an increase of £2.978 million on the Capital Adjustment Account resulting from the recognition of a Deferred Consideration relating to the Waste PFI contract. This increase has been partially reduced by an increase in the negative value of the Pensions Reserve of £0.468 million resulting from the change in the method of valuing quoted securities held as assets in the Local Government Pension Scheme from mid-market price to bid price.

BALANCE SHEET

31 March 2008 £000's (note 1)		31 March 2009 £000's	£000's
	Fixed Assets (note 16)		
83	Intangible Fixed Assets	812	
	Tangible Fixed Assets - Operational Assets:		
250,642	Land and Building	262,327	
7,513	Vehicles, Plant, Furniture & Equipment	7,924	
69,013	Infrastructure	69,020	
1,917	Community Assets	1,931	
	Non-Operational Assets:		
1,204	Shared Ownership Dwellings	1,198	
3,483	Assets under construction	7,727	
8,183	Surplus assets held for disposal	5,546	
342,038	Total Fixed Assets		356,485
11	Long-term Investments (note 17)		11
141	Long-term Debtors (note 18)		94
2,978	Deferred consideration (note 19)		2,606
345,168	Total Long Term Assets		359,196
	Current Assets		
609	Stock & Work in Progress (note 20)	618	
16,932	Debtors & Payments in Advance (note 21)	18,899	
34,418	Investments (note 23)	11,847	
2,016	Cash and bank	4,022	
53,975			35,386
399,143	Total Assets		394,582
	Current Liabilities		
(9,739)	Short-term borrowing (note 24)	(12,916)	
(28,372)	Creditors & Receipts in Advance (note 22)	(22,323)	
(3,259)	Bank Overdraft	(9,008)	
(41,370)			(44,247)
357,773	Total Assets less Current Liabilities		350,335
	Long Term Liabilities		
(132,720)	Long-term borrowing (note 24)		(114,007)
(2,980)	Provisions (note 25)		(4,005)
(10,440)	Capital Grants & Contributions (note 26)		(22,758)
(13,888)	Capital Grants & Contributions Deferred (note 26)		(17,265)
(520)	Deferred Liabilities (note 27)		(477)
(106,002)	Liability related to defined benefit pension schemes (note 28)		(145,589)
91,223	Total assets less liabilities		46,234
	Financed By		
19,199	Revaluation Reserve (note 29)		33,758
0	Available for Sale Financial Instruments Reserve (note 50)		0
143,363	Capital Adjustment Account (note 30)		133,016
0	Financial Instruments Adjustment Account (note 31)		(2,941)
(106,002)	Pensions Reserves (note 28)		(145,589)
0	Capital Receipts Reserve (note 32)		0
125	Deferred Capital Receipts (note 33)		80
16,001	General Fund Balance		11,515
(380)	Deficit on Collection Fund		(95)
18,917	Earmarked Reserves (note 34)		16,490
91,223	Total net worth		46,234

CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2009

The Statement of Recommended Practice (SORP) takes account of FRS 1 (revised 1996) which has the objective of ensuring that the significant elements of receipts and payments of cash are highlighted in a way that facilitates comparison of cash-flow performance of different businesses and to provide information that assists in assessing their liquidity, solvency and financial adaptability. From 2008-09, the SORP permits presentation of the Cash Flow Statement by either the direct method showing gross cash flows, or the indirect method, whereby revenue cash flow is derived by adjusting the overall Income and Expenditure Account surplus or deficit to a cash basis. The indirect method has now been adopted and the 2007-08 comparative figures have been restated on the same basis in both this statement and the related notes.

	2008-09		2007-08
	£000's	£000's	£000's
Net Revenue Activities Cash Flow (note 41)		(1,451)	16,583
Returns on Investments and Servicing of Finance			
<u>Cash outflows</u>			
Interest paid	(11,169)		(8,257)
Interest element of finance lease rental payments	(24)		(26)
<u>Cash Inflows</u>			
Interest Received	3,092		2,618
Net cash outflow from Returns on Investments & Servicing of Finance		(8,101)	(5,665)
Capital activities			
<u>Cash outflows</u>			
Purchase of fixed assets	(20,993)		(18,274)
Purchase of long-term investments	0		0
Other capital cash payments	(2,338)		(4,108)
		(23,331)	(22,382)
<u>Cash Inflows</u>			
Sale of fixed assets	2,201		1,482
Capital grants received (note 46)	17,694		15,161
Other capital cash receipts	2,021		2,858
		21,916	19,501
Net Cash inflow/outflow before financing		(10,967)	8,037
Management of Liquid Resources			
Net increase/decrease in short term deposits	22,571		(3,972)
Net increase/decrease in other liquid resources	0		0
		22,571	(3,972)
Financing			
<u>Cash outflows</u>			
Repayment of amounts borrowed	(18,483)		(2,320)
Capital element of finance lease rental payments	(43)		(41)
<u>Cash Inflows</u>			
New short-term loans raised	3,179		0
Net Cash Inflow from Financing		(15,347)	(2,361)
Increase/Decrease in cash (note 42)		(3,743)	1,704

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Comparative figures for 2007-08 have been restated in respect of the change in the method of valuing quoted securities held as assets in the Local Government Pension Scheme from mid-market price to bid price. This has had an impact on Pension Liability and Pension Reserve in the Balance Sheet and the Actuarial Gains or Losses in the Statement of Total Recognised Gains and Losses.

In addition, a Deferred Consideration has been recognised in the Balance Sheet in respect of the unamortised balance of assets that have been contributed to the Waste PFI contract and has been reversed through the Capital Adjustment Account. The Deferred Consideration is charged to the Income and Expenditure Account over the life of the PFI contract and the Cultural, Environmental and Planning Service has been restated accordingly. This has also had an impact on the Statement of Movement on the General Fund Balance and the Statement of Total Recognised Gains and Losses, both of which have been restated.

The renaming of Deferred Charges as Revenue Expenditure funded by Capital under Statute has had a minimal effect on the presentation of the Accounts. However, the grants received in respect of this category are now shown as Revenue Grants rather than Capital Grants in the Notes to the Cash Flow Statement and also in the note on Revenue Grants.

2. The General Government Grants figure comprises the following grants which are not service specific:-

	2008-09	2007-08
Revenue Support Grant	(6,934)	(7,286)
Area Based Grants	(8,076)	-
Local Authority Business Growth Incentive grant	(267)	(1,209)
Total	(15,277)	(8,495)

An explanation for the increase in General Government Grants between 2007-08 and 2008-09 is contained within the Explanatory Foreword under 'Main Issues in preparing the Statement of Accounts'.

3. Trading Operations

The Best Value Accounting Code of Practice sets out categories of trading operations which authorities should consider disclosing and detailing in a note to the Accounts. For the financial year ending 31st March 2009, all such activities are included in the total cost of the relevant services and are therefore consolidated into the net cost of services. The amounts include any depreciation, impairment or FRS 17 retirement benefit charges attributable to the particular service. In certain instances, the council may subsidise a service in order to achieve specific service objectives.

The 2007 SORP prescribed new guidelines for the treatment of capital expenditure and also the treatment of valuations made in year. When a valuation is made in year, the Revaluation Reserve is the first call on any reductions in asset value. As at 1 April 2007, the Revaluation Reserve had a zero balance, so no gains have been brought forward which could have been used to offset any impairments in asset value. Also, the new guidance prescribes that capital expenditure that does not add value should be written-off as an impairment to the benefiting service in the year that the expenditure is incurred. This has had an impact on the Trading Accounts for both 2008-09 and the comparative year and the amounts of any impairment charges are noted against each relevant operation below:

Operation	Description	£000's
Industrial Units	The Council let industrial units in a variety of locations. The 2007-08 expenditure figure included an impairment charge of £0.456 million in respect of Somerton Industrial Park.	Turnover
		109
		Expenditure
		131
	Agreed contribution to/(from) General Fund:	
	2008-09	(22)
	2007-08	(429)

Trading operations (continued)

Operation	Description		£000's
Markets	The Council runs Newport market and provides supervisory support for other local markets	Turnover	26
		Expenditure	21
		Agreed contribution to/(from) General Fund:	
		2008-09	5
		2007-08	14

Cowes Ferry	Cowes Floating Bridge contains the costs of providing the ferry link between East and West Cowes. Income is generated by charges for vehicles only with 1.5 million passengers carried annually.	Turnover	525
		Expenditure	542
		Agreed contribution to/(from) General Fund:	
		2008-09	(17)
		2007-08	26

Parking Services	This service covers the enforcement of all on-street waiting restrictions and the management of Council controlled off-street parking areas. Income is derived from charges levied on users, in particular from ticket and permit sales together with penalty charge notices issued for violations. In accordance with the requirements of the Road Traffic Regulation Act 1984, as amended by the Traffic Management Act 2004, the Parking Account Surplus is invested in highways and public transport infrastructure and environmental improvements in the local area. During 2008-09 such investment included street lighting column replacement, the Speed Campaign, concessionary fares and subsidised bus services, and improvements to the public realm.	Parking Income:	
		Ticket Machine Income	2,296
		Permit Income	857
		Penalty Charge Notice Income	791
		Other Sources of Income	47
		Turnover	3,991
		Expenditure	2,218
		2008-09 Parking Account Surplus	1,773
		2007-08 Surplus	2,325

Wightbus	Wightbus is the Council's in-house bus operation and provides home-to-school transport, adult day care transport, local bus services and private hires.	Turnover	381
		Expenditure	507
		Agreed contribution to/(from) General Fund:	
		2008-09	(126)
		2007-08	(81)

Trading Operations (continued)

Operation	Description		£000's
School Buy-Backs	LEA/LA Central Services purchased by schools. Schools are free to choose whether they purchase these services from the authority or from an external provider. Some service contracts, eg School meals, contain a minimum notice to terminate period. Charges are estimated in October and assumptions are made about rate of buy-back. Schools decide whether to buy-back when they receive their budgets in the following March, hence the potential for a deficit when the buy-back rate does not match that assumed in October.	Turnover	2,439
		Expenditure	2,567
		Agreed contribution to/(from) General Fund:	
		2008-09	(128)
		2007-08	(83)
Bereavement Services	Burial service and maintenance of twelve cemeteries and eleven closed churchyards, together with provision for a Crematorium service including maintenance of site and buildings. Income derived from cremation fees, charges and sales and cemetery burial fees and charges. The 2007-08 figure included an impairment charge of £0.026 million and the 2008-09 expenditure figure includes £0.089 million of impairment charges.	Turnover	951
		Expenditure	928
		Agreed contribution to/(from) General Fund:	
		2008-09	23
		2007-08	92
Harbours and Coastal	This includes Newport and Ryde Harbours, Ventnor Haven, Folly Moorings and Whitegates Pontoon. The 2007-08 expenditure figure included an impairment charge of £0.055 million in respect of Newport Harbour.	Turnover	244
		Expenditure	339
		Agreed contribution to/(from) General Fund:	
		2008-09	(95)
		2007-08	(182)
Leisure Facilities	The running of Leisure facilities at Waterside Pool, Medina Leisure Centre, The Heights, Rew Valley and the squash courts at Westridge. These are subsidised facilities, as is the case with many similar local authorities.	Turnover	1,708
		Expenditure	3,575
		Agreed contribution to/(from) General Fund:	
		2008-09	(1,867)
		2007-08	(1,824)
Seasonal Sites	The running of tourism related sites including Browns and Shanklin Lift. The 2008/09 expenditure figure includes an impairment charge of £0.203 million in respect of the Apply Play Area.	Turnover	434
		Expenditure	667
		Agreed contribution to/(from) General Fund:	
		2008-09	(233)
		2007-08	(34)

4. Section 137 Expenditure

The Local Government Act 2000 amended the provisions of Section 137 of the Local Government Act 1972. Actual expenditure in 2008-09 amounted to £0.003 million and was in respect of a contribution to RELATE. (£0.005 million in 2007-08).

5. Publicity

As required by Section 5 of the Local Government Act 1986 the total amount spent on publicity in the year including recruitment advertising, was £0.610 million (£0.834 million in 2007-08).

6. Building Regulations Charging Account 2008-09

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. 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.

	Chargeable	Non Chargeable	Total Building Control	Total Building Control
	2008-09	2008-09	2008-09	2007-08
	£000's	£000's	£000's	£000's
Expenditure				
Employee expenses	346	85	431	436
Transport	15	5	20	18
Supplies and Services	25	8	33	27
Central and support services	97	38	135	145
Total Expenditure	483	136	619	626
Income				
Building Regulation charges	416	0	416	482
Miscellaneous income	0	1	1	2
Total Income	416	1	417	484
Surplus/(Deficit) for Year	(67)	(135)	(202)	(142)

7. Agency Services

Under various statutory powers an authority may agree with other local authorities, water companies and government departments to do work on their behalf. This Council did not carry out any significant agency work during 2008-09.

8. Local Authority Goods and Services Act 1970

Services provided to other public bodies under the powers provided by this Act were as follows:

	2008-09 £000's	2007-08 £000's
Provision of Administrative, Professional and Technical Services	219	178
Hire	2	2
Works Relating to Land and Buildings	5	6
Total	226	186

The services were provided to the Riverside Centre, South Wight Housing Association, Isle of Wight Youth Trust, Isle of Wight Law Centre, Parish Councils, Citizens Advice Centre, Not Just Enterprises, Home-Start, Rural Community Council, Real World Trust, Island 2000, IW Women's Refuge, Pre-School Nurseries, IW Credit Union, the Charitable Trust, Unison, HM Prison Service, Hampshire Police Authority, Isle of Wight NHS PCT, coastal management bodies and other local authorities.

In no case did this work represent a material proportion of the activity of the Isle of Wight Council departments concerned.

9. National Health Service Act 2006 Section 75 Pooled Funds

Section 75 of the National Health Service Act 2006 (formerly Section 31 of the Health Act 1999 and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000) enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. Memorandum accounts have been prepared relating to pooled budget agreements between the Isle of Wight Council and Isle of Wight NHS Primary Care Trust during 2008-09. All relevant income and expenditure has been included in the Adult Social Care division of service in the Income and Expenditure Account.

Free Nursing Care - Registered Nursing Care Contribution (RNCC)

This agreement enables a single payment incorporating both the nursing and social care cost to be made to the Nursing Homes. The pooled budget arrangement is hosted by the Isle of Wight Council. The following shows the pool income, expenditure and balance as at 31st March.

	2008-09	2007-08
Amounts Received from Partners	%	£000's
Contribution from IW Council	69.0	4,884
Contribution from IW NHS Primary Care Trust	31.0	1,994
Total Income		5,492
Amount Spent from Pool		6,878
IWC Funded Island Clients	3,490	4,888
IWC Funded Mainland Clients	206	225
RNCC Island Placed Self Funders	527	693
RNCC Island Self Funders Placed by Mainland Authorities	54	40
Continence Products	0	136
Administration/Assessment	48	40
Total Expenditure		4,325
Amount Remaining in Pool		1,167

Free Nursing Care (RNCC) (continued)	2008-09		2007-08
To be shared between partners based on agreed split (actuals basis to take account of continuing care charges)	%	£000's	£000's
I W Council	58.0	679	659
I W NHS Primary Care Trust	42.0	488	197
Total		1,167	856

Substance Misuse

This agreement is to provide a pooled budget and lead commissioning arrangement for Substance Misuse Services. This pooled budget arrangement is hosted by the Isle of Wight Council. The following shows the pool income, expenditure and balance as at 31st March.

Amounts Received from Partners	2008-09		2007-08
	%	£000's	£000's
Contribution from IW Council	18.7	349	396
Contribution from IW NHS Primary Care Trust	81.3	1,522	1,476
Total Income		1,871	1,872
Amount Spent from Pool	£000's		
Drug Strategies		1,333	1,189
Island Drug and Alcohol Service		538	532
Total Expenditure		1,871	1,721
Carry-forward on Adult Treatment /Young People		0	151
Total Expenditure including carry-forward		1,871	1,872
Amount Remaining in Pool		0	0
To be shared between partners pro rata to contributions made		£000's	£000's
I W Council		0	0
I W NHS Primary Care Trust		0	0
Total		0	0

Occupational Therapy Pooled Budget

This agreement provides a seamless Occupational Therapy Service to simplify access to services for client groups and carers and further enhance delivery of safe, sound and supportive services. This pooled budget is hosted by the Isle of Wight NHS Primary Care Trust. The following shows the pool income, expenditure and balance as at 31 March.

	2008-09	2007-08	
Amounts Received from Partners	%	£000's	£000's
Contribution from IW Council	38.0	476	467
Contribution from IW NHS Primary Care Trust	62.0	778	527
Total Income		1,254	994
Amount Spent from Pool	£000's		
Staff costs	1,096		920
Non-staff costs	122		65
Total Expenditure		1,218	985
Amount Remaining in Pool		36	9
To be shared between partners pro rata to contributions made	%		
I W Council	38.0	14	4
I W NHS Primary Care Trust	62.0	22	5
Total		36	9

Integrated Community Equipment Store Pooled Budget

This agreement has been entered into to provide a single integrated community equipment service. The pooled budget arrangement is hosted by the Isle of Wight Council. The following shows the pool income, expenditure and balance as at 31st March.

	2008-09	2007-08	
Amounts Received from Partners	%	£000's	£000's
Contribution from IW Council	47.4	377	338
Contribution from IW NHS Primary Care Trust	52.6	419	222
Income		796	560
Amount Spent from Pool	£000's		
Staff Costs	143		115
Non-Pay Costs	629		391
Total Expenditure		772	506
Amount Carried Forward		0	54
Total		772	560
Amount remaining in Pool		24	0
To be shared between partners pro rata to contributions made			
I W Council	47.4	11	0
I W NHS Primary Care Trust	52.6	13	0
Total		24	0

10. Members' Allowances

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide the circumstances in which allowances are payable to members and to the maximum amounts payable in respect of certain allowances. The following amounts have been paid to and on behalf of members:-

	2008-09 £000's	2007-08 £000's
Basic Allowance	369	367
Special Responsibility Allowance	179	194
Employers' National Insurance & Pension Contributions paid on behalf of members	55	61
Travelling & Subsistence allowance and reimbursements	33	33
Total	636	655

11. Disclosure of Employees' Emoluments

The number of officers, teachers and other staff whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £10,000 were:-

Remuneration Band	2008-09		2007-08	
	Total	Left during year	Total	Left during year
£50,000 to £59,999	65	3	57	1
£60,000 to £69,999	28	3	13	1
£70,000 to £79,999	7	1	8	0
£80,000 to £89,999	7	0	5	0
£90,000 to £99,999	3	0	1	0
£100,000 to £109,999	1	0	1	0
£110,000 to £119,999	1	0	1	0
£120,000 to £129,999	1	1	0	0
£130,000 to £139,999	0	0	1	0
£140,000 to £149,999	1	0	0	0
£150,000 to £159,999	0	0	0	0
£160,000 to £169,999	0	0	0	0
£170,000 to £179,999	0	0	1	0

A number of officers left the employment of the Council during the year which resulted in severance payments being made. All severance costs, including redundancy payments and 'capitalised' pension costs are funded from the Income and Expenditure Account. The payment of severance payments of this nature does not represent an exceptional occurrence and has occurred in previous years as a result of reorganisation or restructuring.

In 2008-09 63 employees left the Council's employment for reasons of early retirement or redundancy, compared with 43 in 2007-08. Related severance costs to be charged to the Income and Expenditure Account in 2008-09 totalled £1.651 million, compared with £0.588 million in 2007-08. The current management arrangement for the 'capitalised' pension costs element is that they are charged to the Income and Expenditure Account to suit service budget requirements, and this can be for any period subject to a maximum of 5 years.

12. Related Parties 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 allow readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Council.

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

Transactions with the Isle of Wight NHS Primary Care Trust in respect of the Pooled Budget arrangements are shown in Note 9 to the Accounts.

Members of the Council have direct control over the council’s financial and operating policies. During 2008-09, works and services to the value of £0.253 million were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council’s standing orders. In addition, members are nominated to represent the Council on various outside bodies. One member acts as a trustee for an organisation which receives payments in connection with Supporting People contracts, where the value of payments made during 2008-09 was £0.542 million. The Council also nominates trustees to the Citizen’s Advice Bureau, where payments totalling £0.174 million were made during 2008-09. All such relationships are disclosed in the Register of Members’ Interest, open for public inspection at County Hall, Newport, Isle of Wight. PO30 1UD.

Elected members disclosures also include positions of interest with Parish or Town Councils, voluntary bodies and as school governors.

Senior officers were requested to disclose any related party transactions during 2008-09. Whilst there have been no specific disclosures in respect of related party transactions, during the course of the financial year there have been a number of interim arrangements relating to certain senior posts. These by their nature could imply an involvement in related party transactions and the Council has been careful to ensure that robust arrangements are in place and that correct procurement and recruitment procedures have been followed in each case.

During the financial year, the pension fund had an average balance of £0.310 million of surplus cash deposited with the Council. The Council paid the fund a total of £0.011 million interest on these deposits. The council charged the fund £0.420 million for expenses incurred in administering the fund.

13. Audit Costs

Fees relating to external audit and inspection have been incurred as follows:

	2008-09	2007-08
	£000’s	£000’s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	357	307
Fees payable to the Audit Commission in respect of statutory inspection	32	51
Fees payable to the Audit Commission for certification of grant claims and returns	57	79
Fees payable in respect of other services provided by the appointed auditor	0	0
Total	446	437

The payments made for the certification of grant claims relates to work carried out during the year of account, but is in respect of claims made in the previous financial year.

14. Government Grants

Central Government and European Community revenue grants towards specific services were received during the year totalling £159.447 million (£163.844 million in 2007-08). These are included as income which offsets service expenditure in the Income and Expenditure Account. The grant relating to the Area Based Grants (ABG) and Local Authority Business Growth Incentive Scheme (LABGIS) are excluded from this figure as they are not service specific and are instead included with General Government Grants shown on the face of the Income and Expenditure Account. Certain specific grants and the Local Area Agreement Grant (LAA) were either replaced by ABG or incorporated within the Revenue Support Grant (RSG) in 2008-09 and the impact of this change is reflected in the apparent reduction between 2007-08 and 2008-09. Grants received towards the cost of items classified as Revenue Expenditure Funded from Capital under Statute have also been included and the prior year comparative figure has been restated to include these.

15. Local Area Agreement Grant (LAA)

From the 2008-09 financial year, Local Area Agreement Grant was replaced by the Area Based Grant (ABG). ABG is a non-ringfenced general grant and no conditions on its use is imposed as part of the grant determination, ensuring full local control over how funding can be used. This means that, unlike LAA Grant, its use is not restricted to supporting the achievement of LAA targets and is paid directly to the authority that benefits from the grant.

16. Movement on Fixed Assets

Operational Assets

	Land and Buildings £000's	Vehicles Plant Furniture & Equipment £000's	Infrastructure £000's	Community Assets £000's	Total £000's
Cost or valuation					
At 1 April 2008	274,669	14,845	80,902	2,040	372,456
Additions	5,537	3,013	6,097	47	14,694
Donated Assets	0	582	0	0	582
Disposals	0	(1,259)	0	0	(1,259)
Reclassifications	3,284	0	(1,251)	(18)	2,015
Revaluations	7,416	(1,126)	0	42	6,332
Downward Revaluations (Impairments)	(955)	0	0	0	(955)
Land & Building Adjustments	(4,252)	0	(861)	0	(5,113)
At 31 March 2009	285,699	16,055	84,887	2,111	388,752
Depreciation and impairments					
At 1 April 2008	(24,027)	(7,332)	(11,889)	(123)	(43,371)
Depreciation charge for 2008-09	(4,791)	(3,184)	(4,014)	(10)	(11,999)
Impairment charge for 2008-09	(3,095)	0	0	(47)	(3,142)
Disposals	0	1,259	0	0	1,259
Reclassifications	1	0	0	0	1
Revaluations	7,638	1,126	0	0	8,764
Land & Building Adjustments	902	0	36	0	938
At 31 March 2009	(23,372)	(8,131)	(15,867)	(180)	(47,550)
Balance Sheet amount at 31 March 2009	262,327	7,924	69,020	1,931	341,202
Balance Sheet amount at 1 April 2008	250,642	7,513	69,013	1,917	329,085
Nature of Asset holding					
Owned	262,327	7,517	69,020	1,931	340,795
Finance lease	0	407	0	0	407
PFI	0	0	0	0	0
At 31 March 2009	262,327	7,924	69,020	1,931	341,202

Non-Operational Assets				
	Shared Ownership Dwellings £000's	Assets under construction £000's	Surplus assets held for disposal £000's	Total £000's
Cost or valuation				
At 1 April 2008	1,204	3,483	8,306	12,993
Additions	0	3,770	388	4,158
Disposals	0	0	(925)	(925)
Reclassifications	0	479	(2,494)	(2,015)
Revaluations	0	0	437	437
Land & Building Adjustments	0	(5)	(71)	(76)
At 31 March 2009	1,204	7,727	5,641	14,572
Depreciation and impairments				
At 1 April 2008	0	0	(123)	(123)
Charge for 2008-09	(6)	0	0	(6)
Disposals	0	0	36	36
Reclassifications	0	0	(1)	(1)
Adjustments	0	0	(7)	(7)
At 31 March 2009	(6)	0	(95)	(101)
Balance Sheet amount at 31 March 2009				
	1,198	7,727	5,546	14,471
Balance Sheet amount at 1 April 2008	1,204	3,483	8,183	12,870

Non-operational assets are tangible fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. The Council has an interest in 66 shared ownership dwellings, the asset values have been calculated by reference to the rental income received and an expected rental return of 8%.

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The valuation of properties were undertaken by Mr B Cooke FRICS an officer of the Council, John E Prince FRICS, IRRV of Principal Chartered Surveyors and Peter J Dewey FRICS of Lambournes Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies.

	Land and Buildings £000's	Vehicles Plant Furniture & Equipment £000's	Infrastructure £000's	Community Assets £000's	Non-Operational Assets £000's	Total £000's
Valued at historical cost	-	7,924	69,020	1,931	7,779	86,654
Valued at current value in:						
2008/09	63,071	-	-	-	1,005	64,076
2007/08	105,369	-	-	-	4,101	109,470
2006/07	32,726	-	-	-	1,483	34,209
2005/06	29,780	-	-	-	0	29,780
2004/05	31,381	-	-	-	103	31,484
Total	262,327	7,924	69,020	1,931	14,471	355,673

Information about Depreciation Methodologies

The Council employs the straight-line method of depreciation which depreciates the value over the useful life of the asset. The expected useful life applied to different types of assets is assessed individually for assets based either on date of valuation or acquisition.

The main items of capital expenditure were:-

	£000's
Highways improvements	5,557
Business Systems Improvement Project	2,555
Improvement to Council-owned properties	1,681
Children's Services – Harnessing Technology (grant funded)	786
Disabled facilities (part grant funded)	734
Public Conveniences	716
Integrated Children's systems	508
ICT investment	500
Oakfield Housing scheme	418
Downside Middle School - Pan Multi-Use Games Area (MUGA)	389

In addition, major contracts had been entered into with the following outstanding sums at 31 March 2009:-

	£000's
Business Systems improvements	1,563
Public Conveniences	1,220
Disaster Recovery site – Westridge	506
Ryde Cemetery	438
St Georges School alterations	223
Medina High School Mobile classrooms	189

Capital Expenditure was financed as follows:-

	2008-09	2007-08
	£000's	£000's
Capital Receipts	2,200	1,482
Capital Grants & Contributions	5,950	6,719
Revenue funded from Capital resources	1,546	3,510
Increase in Capital Financing Requirement (CFR)	12,842	11,457
Total	22,538	23,168

The Capital Financing Requirement forms part of the Prudential Code for Capital Finance and represents the Council's underlying need to borrow for capital expenditure purposes.

Capital Financing Requirement (memorandum account)

	2008-09	2007-08
	£000's	£000's
Balance at 1 April	168,630	163,417
Capital Investment:		
Operational Assets	14,694	16,882
Non-Operational Assets	4,158	1,627
Intangible Assets	1,377	553
Revenue Expenditure funded from Revenue under Statute	2,309	4,106
Sources of Finance:		
Application of Capital Receipts	(2,200)	(1,482)
Application of Capital Grants	(7,496)	(10,229)
Statutory Charge to Revenue re: past expenditure	(6,578)	(6,244)
Balance at 31 March	174,894	168,630
Explanation of Movements in Year		
Increase in underlying need to borrow (supported by government financial assistance)	3,257	9,907
Increase in underlying need to borrow (unsupported by government financial assistance)	3,007	1,550
Increase/decrease in Capital Financing Requirement	6,264	11,457

Information on Fixed Assets

An analysis of fixed assets at 31 March is:

	2009	2008
Libraries	11	11
Museums	4	4
Tourist Information Centres	3	3
Allotment sites	21	21
Park areas & amenity sites	209	209
Theatres	2	2
Shanklin Lift	1	1
Leisure facilities	3	3
Schools *	69	69
with a - sports centre	3	3
- theatre	1	1
- swimming pool	1	1
Other Educational properties	18	18
Fire Stations	10	10
Crematorium	1	1
Cemeteries	12	12
Guildhall	1	1
Waste Derived Fuel Plant	1	1
Refuse Disposal Sites	2	2
Toilet Blocks	81	81
Car Parks	78	78
Harbours	3	3
Residential Homes for the Elderly	2	2
Resource Centres for the Elderly	2	2
Group Homes	6	6
Family Centre	1	1
Day/Community Centres	12	12
Other Social Services Properties	13	15
Hostels	1	1
Highways Depots and Other Premises	10	10
Chain Ferry and Terminals	1	1
Industrial Estates	8	8
Council Dwellings	5	5
Garage Sites	2	2
County Hall	1	1
Other Office Premises	22	22
Other Premises & Land Sites	36	36
Vehicles and Major Plant - owned	165	156
- leased	134	134
Roads and Bridges (Km)	791.8	791.8
Cycleways (km)	36.3	36.3
Coastal Defences (km)	41	41

* Including 18 church schools not owned by Isle of Wight Council and 2 foundation schools where the Council retains ownership. Due to amalgamation, there are 67 schools operating from 69 sites.

Movement in intangible assets

	Purchased software licences £000's
Cost	
At 1 April 2008	553
Additions	1,377
	1,930
At 31 March 2009	1,930
Amortisation	
At 1 April 2008	(470)
Charge for 2008-09	(648)
	(1,118)
At 31 March 2009	(1,118)
Balance Sheet amount at 31 March 2009	812
Balance Sheet amount at 31 March 2008	83

Software licences are held for a variety of computer systems, mainly within the Children's & Education and central support services. The costs are being written-off to the appropriate service within the Income & Expenditure Account over a period consistent with the expected economic life.

17. Long-term Investments

These comprise £0.011 million in Government and other stocks (2007-08 £0.011 million).

18. Long-term Debtors

Long term debtors consist mainly of capital loans made to external organisations and mortgages to private householders. These loans are repayable over varying periods, interest being charged at nationally determined rates. At 31 March 2009 the total balance of Long-term debtors amounted to £0.094 million (2007-08 £0.141 million).

19. Deferred Consideration

The Council entered into a long-term contract with Island Waste Services Ltd under the government's Private Finance Initiative (PFI) scheme in 1997. The contract, which was for a fully integrated waste collection, waste disposal and recycling service commenced on 27 October 1997 and was intended to be for a 12 year period to end in October 2009; subsequently the contract was extended by 6 years and is now due to end on 26 October 2015. The value of the contract is in excess of £94 million over the 18 year period. The additional costs of this integrated waste management project, over and above the Council's existing budgetary provision for waste management, is met through government funding (PFI credits).

2008-09 was the eleventh full year of the operation of the contract, costing a total of £6.002 million (£5.727 million in 2007-08), with £1.248 million (£1.248 million in 2007-08) of this amount funded by grant. This cost is included in the Cultural, Environmental and Planning Services line of the Income and Expenditure Account.

The deferred consideration balance of £2.606 million (£2.978 million in 2007-08) relates to the unamortised balance of assets that have been contributed to the PFI contract, resulting in reduced unitary charges for the contracts. Deferred consideration is charged to the Income and Expenditure account over the life of the PFI contract, with the impact being reversed in the Statement of Movement on the General Fund Balance.

20. Stocks and Work-in-Progress

	31 March 2009 £000's	31 March 2008 £000's
Works-in-Progress	43	46
Stocks	575	563
Balance at end of year	618	609

21. Debtors and Payments in Advance

	31 March 2009 £000's	31 March 2008 £000's
Government Departments	4,017	5,035
Local Taxpayers	2,707	2,112
Other Organisations and Individuals	14,381	11,579
	21,105	18,726
less Provision for Bad Debts	(2,206)	(1,794)
Balance at end of year	18,899	16,932

The Provision for Bad Debts is reviewed annually and is a cumulative figure to cover all outstanding debtors.

22. Creditors and Receipts in Advance

	31 March 2009 £000's	31 March 2008 £000's
Government Departments	7,918	6,640
Local Taxpayers	1,927	3,303
Other Organisations & Individuals	12,478	18,429
Balance at end of year	22,323	28,372

23. Investments

This involves the temporary investment of surplus cash flows and internal funds in accordance with the Council's Treasury Management Strategy. At 31st March 2009 £3.640 million was invested with Banks, £7.807 million with Building Societies and £0.400 million with the Debt Management Account Deposit Facility (DMADF), which is a deposit account offered by the Debt Management Office, guaranteed by the UK government.

24. External Borrowing

	31 March 2009 £000's £	31 March 2008 £000's £
Repayable in 1 - 2 years	0	3,068
Repayable in 2 - 5 years	1,030	6,151
Repayable in 5 - 10 years	21,243	23,284
Repayable in 10 - 15 years	30,532	28,499
Repayable in 15 - 20 years	38,028	41,504
Repayable in 20 - 25 years	17,101	17,092
Repayable in more than 25 years	6,073	13,122
Repayable in more than one year	114,007	132,720
Repayable within one year	12,916	9,739
Total External Borrowing	126,923	142,459
Of which, Public Works Loan Board (PWLB)	117,073	132,720

There are three Lender Option Borrower Option (LOBO) loans amounting to £9 million included in the 'Repayable within one year' category. The lenders have the option to request a change in the interest rate which could lead the Council to make an early repayment. None of the lenders have exercised their option to change the interest rate.

Amount (£000's)	Interest Rate (%)	Final Maturity Date
1,000	6.65	24/09/2012
3,000	5.34	19/11/2013
5,000	4.27	25/11/2041

25. Provisions

	Balance 1 April £000's	Receipts £000's	Payments £000's	Balance 31 March £000's
Insurance Liabilities Fund	2,617	105	0	2,722
Restructuring Fund	363	0	(363)	0
Off-Street Car Parking VAT	0	1,283	0	1,283
Total	2,980	1,388	(363)	4,005

The Insurance Liabilities Fund represents the potential liabilities identified in an actuarial valuation of outstanding insurance claims. Following an actuarial valuation carried out in 2007-08, the Council's outstanding liabilities as at 31 March 2007 were estimated to be £2.617 million. A further valuation will be undertaken during 2009-10 to determine the liability as at 31 March 2009. An interim assessment of the Council's claims register has indicated that the Council's exposure to future claims has increased by 4% and the fund has been increased accordingly.

The balance of the Restructuring Fund not expended in the year has been returned to the General Fund.

The Council is currently withholding the payment to HMRC of VAT collected from Off-Street Car Parking. The case has been argued through a succession of Tribunals and Courts since February 2004 and the issue is still on-going, with no clear indication of how much longer it will be pursued. The amount withheld was previously accounted for as a creditor, but due to the uncertainty over the timing or likelihood of repayment, a provision has now been created.

However, on 11 March 2009 the High Court of Justice delivered its judgement in regard to the Commissioners of Her Majesty's Revenue & Customs and the Council in relation to the VAT Tribunal ruling of 23 January 2006 (car parking income and VAT implications). The High Court of Justice ordered that the appeal of HMRC be allowed and that the VAT appeals of the Councils involved in the original Tribunal be reheard in accordance with the judgement of the European Court of Justice in Case C-288/07. The judgement also ordered that costs of £0.410 million received in respect of litigating the issues before the VAT Tribunal be reimbursed to HMRC, and that the local authorities involved should pay HMRC the sum of £0.100 million in full and final settlement of the costs of the HMRC application and appeal. Each of these payments was made from an Escrow account established to secure payment of HMRC costs in the event of a final adverse ruling in relation to the VAT Tribunal with no downside to the four councils involved. Payment of the sum of £0.510 million was made to HMRC on 8 April 2009 being 28 days from the date of the judgement.

26. Capital Grants & Contributions

Capital Grants towards the cost of capital projects are generally applied as expenditure is incurred. The balance at 31 March 2009 includes £19.6 million of capital grant from the Department for Children, Schools and Families for the targeted capital fund. This is grant funding for the Cowes High School Pathfinder scheme which is currently in progress. These grants will be applied in future financial years to match expenditure on schemes. An adjustment to the opening balance is required for School's ICT equipment.

	31 March 2009 £000's	31 March 2008 £000's
Balance at beginning of year	10,440	2,612
Adjustment:- Capital Grants & Contributions Deferred	148	0
Adjustment:- Income & Expenditure Account	78	0
Capital Grants Received	19,588	18,057
	30,254	20,669
Capital Grants & Contributions not deferred	(2,585)	(5,160)
Capital Grants & Contributions applied	(4,911)	(5,069)
Balance at end of year	22,758	10,440

Capital Grants & Contributions Deferred

The Capital Grants and Contributions Deferred Account represents amounts received to fund expenditure which will be released to offset depreciation in respect of those assets to which they relate. An adjustment to the opening balance is required for School's ICT contributions.

	31 March 2009 £000's	31 March 2008 £000's
Balance at beginning of year	13,888	10,131
Adjustment	(148)	0
Donated Fire Vehicles	582	0
Capital Grants & Contributions Applied	4,911	5,069
	19,233	15,200
Less: Amortised to Income & Expenditure Account	(1,890)	(1,312)
Adjustment:- Income & Expenditure Account	(78)	0
Balance at end of year	17,265	13,888

27. Operating Leases

Vehicles, plant, furniture and equipment – the authority uses fire tenders, buses, various other commercial vehicles, car park meters, IT equipment and miscellaneous equipment financed under the terms of an operating lease.

The amount paid under these arrangements in 2008-09 was £0.358 million (£0.426 million in 2007-08). The authority was committed at 31st March 2009 to making payments of £1.1 million in 2009-10, comprising the following elements:-

Leases expiring	Future liability £000's
In 2009-10	0
Between 2010-11 and 2014-15	811
After 2014-15	289

Finance Leases

Vehicles, plant, furniture and equipment – the authority has acquired fire service vehicle assets under finance leases. The rentals payable under these arrangements in 2008-09 was £0.066 million (£0.067 million in 2007-08), charged to the Income and Expenditure Account as £0.021 million finance costs (debited to interest payable) and £0.045 million relating to the write-down of obligations to the lessor (debited as part of the appropriation to Capital Adjustment Account in the Statement of Movement on the General Fund Balance).

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed Assets:

	Vehicles, Plant & Equipment	
	2009 £000's	2008 £000's
Value at 1 April	472	523
Adjustment to 2006-07 closing balance	0	13
Additions	0	0
Revaluations	0	0
Depreciation	(65)	(64)
Disposals	0	0
Value at 31 March	407	472

Outstanding obligations to make payments under these finance leases (excluding financing costs) at 31 March 2009, accounted for as long-term liabilities, are as follows:-

	Vehicles, Plant & Equipment
	£000's
Obligations payable in 2009-10	45
Obligations payable between 2010-11 and 2014-15	314
Obligations payable after 2014-15	118
Total liabilities at 31 March 2009	477

28. 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 after 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 three pension schemes:

- the Local Government Pension Scheme is administered by the Council and is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- the Fire-Fighters' Pension Scheme is administered by the Council and is an unfunded defined benefit final salary scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The authority and employees pay contributions into a fund from which pension payments are made. Under the Firefighters' Pension Scheme (Amendment)(England) Order 2006, the fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payment, while any surplus in the fund is repayable to Central Government. Regular firefighters employed before 6 April 2006 were eligible for membership of the Firefighters' Pension Scheme (FPS). This scheme is now closed. A New Firefighters' Pension Scheme (NFPS) was introduced for regular and retained firefighters employed since 6 April 2006. For the purpose of the disclosures shown on the following pages, these two schemes have been combined.
- teachers employed by the authority are members of the Teachers' Pension Scheme, which is administered by the Teachers' Pension Agency.

Change of accounting policy

Under the 2008 SORP the council has adopted the amendment to FRS 17, *Retirement Benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2009 has been restated from £193.358 million, a decrease of £0.439 million, resulting in an increase of the pension deficit of £0.439 million (31 March 2008: increase of £0.468 million). Current and prior year surplus have been unaffected by this change.

Transactions relating to retirement benefits

The cost of retirement benefits are recognised 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 made against the 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 transactions that have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year relating to both the Local Government and Firefighters' Pension Schemes are as follows:-

	Local Government Pension Scheme £000's		Firefighters' Pension Scheme £000's		Total £000's	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
<i>Net cost of services:</i>						
Current Service cost	(7,809)	(10,230)	(700)	(1,100)	(8,509)	(11,330)
Past service costs	(3,116)	(257)	0	0	(3,116)	(257)
Settlements and Curtailments	(776)	(150)	0	0	(776)	(150)
<i>Net Operating Expenditure</i>						
Interest cost	(21,214)	(17,714)	(2,300)	(2,100)	(23,514)	(19,814)
Expected return on assets	16,772	16,883	-	-	16,772	16,883
Top-up grant repayable (to)/from Government	-	-	820	(121)	820	(121)
<i>Net Charge to the Income and Expenditure Account</i>						
	(16,143)	(11,468)	(2,180)	(3,321)	(18,323)	(14,789)
<i>Statement of Movement in the General Fund Balance</i>						
Reversal of net charges made for retirement benefits in accordance with FRS 17	3,440	(570)	1,200	2,400	4,640	1,830
Top-up grant repayable to/(from) Government	-	-	(820)	121	(820)	121
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
Employers' contributions payable to the scheme (including unfunded benefits)	12,703	12,038	-	-	12,703	12,038
Retirement benefits payable to pensioners (net of member contributions)	-	-	1,800	800	1,800	800

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £35.767 million (£29.874 million gain in 2007-08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Recognised Gains and Losses is £30.999 million.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded liabilities: Local Government Pension Scheme £000's		Unfunded liabilities: Fire-fighters' Pension Scheme £000's		Total £000's	
	2009	2008	2009	2008	2009	2008
	1 April	(305,970)	(327,422)	(33,821)	(38,962)	(339,791)
Current service cost	(7,809)	(10,230)	(700)	(1,100)	(8,509)	(11,330)
Interest cost	(21,214)	(17,714)	(2,300)	(2,100)	(23,514)	(19,814)
Contributions by scheme participants	(3,705)	(3,354)	(200)	(200)	(3,905)	(3,554)
Actuarial gains and losses	27,079	40,422	(1,200)	7,200	25,879	47,622
Estimated Unfunded Benefits paid	1,200	1,096	-	-	1,200	1,096
Estimated Benefits paid	11,204	11,639	-	-	11,204	11,639
Pensions and lump sum expenditure	-	-	2,000	1,100	2,000	1,100
Past service costs	(3,116)	(257)	-	-	(3,116)	(257)
Losses on curtailment	(776)	(150)	-	-	(776)	(150)
Movement on Top-up grant creditor	-	-	121	241	121	241
31 March	(303,107)	(305,970)	(36,100)	(33,821)	(339,207)	(339,791)

Reconciliation of fair value of the scheme assets:-

	Local Government Pension Scheme		Fire-fighters' Pension Scheme		Total	
	£000's		£000's		£000's	
	2009	2008	2009	2008	2009	2008
1 April	233,789	232,097	0	0	233,789	232,097
Expected rate of return	16,772	16,883	-	-	16,772	16,883
Actuarial gains and losses	(61,646)	(17,848)	-	-	(61,646)	(17,848)
Contributions by scheme participants	3,705	3,354	200	200	3,905	3,554
Employer contributions	11,503	10,942	1,800	900	13,303	11,842
Contributions in respect of Unfunded Benefits paid	1,200	1,096	-	-	1,200	1,096
Unfunded Benefits paid	(1,200)	(1,096)	-	-	(1,200)	(1,096)
Estimated Benefits paid	(11,204)	(11,639)	-	-	(11,204)	(11,639)
Pensions and lump sum expenditure	-	-	(2,000)	(1,100)	(2,000)	(1,100)
Movement on Top-up grant debtor	-	-	699	0	699	0
31 March	192,919	233,789	699	0	193,618	233,789

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 real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was -£44.956 million (2007-08: -£7.251 million).

Scheme History (of actuarial valuations excluding top-up grants)

	2004-05 £000's as restated	2005-06 £000's as restated	2006-07 £000's as restated	2007-08 £000's as restated	2008-09 £000's
Present value of liabilities:					
Local Government Pension Scheme	(270,600)	(324,300)	(327,422)	(305,970)	(303,107)
Firefighters' Pension Scheme	(33,900)	(39,300)	(38,600)	(33,700)	(36,100)
Fair value of assets in the Local Government Pension Scheme	166,167	211,875	232,097	233,789	192,919
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(104,433)	(112,425)	(95,325)	(72,181)	(110,188)
Firefighters' Pension Scheme	(33,900)	(39,300)	(38,600)	(33,700)	(36,100)
Total	(138,333)	(151,725)	(133,925)	(105,881)	(146,288)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £146.288 million has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in an overall balance of £46.234 million.

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

- the deficit on the local government scheme will be made good by increased contributions over the remaining life of employees, as assessed by the scheme actuary
- in-year deficits on the Fire-fighters' pension fund are reimbursed by Government grant.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2010 is £12.1 million. Due to the unfunded nature of the Fire-fighters' Pension Scheme, the contributions in the year to 31 March 2010 made by the council will be dependant on the benefits paid in the year, the employee contributions and transfers-in received.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on the 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. Both fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Local Government Scheme being based on the latest full valuation of the scheme as at 31 March 2007.

The principal assumptions used the actuary have been:

	Local Government Pension Scheme		Fire-fighters' Pension Scheme	
	2008-09	2007-08	2008-09	2007-08
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.0%	7.7%	-	-
Bonds	5.6%	5.7%	-	-
Property	4.9%	5.7%	-	-
Cash	4.0%	4.8%		
Mortality assumptions:				
Longevity at 65 for current pensioners (years):				
Men	19.6	19.6	27.6	25.4
Women	22.5	22.5	31.0	28.4
Longevity at 65 for future pensioners (years):				
Men	20.7	20.7	29.2	26.1
Women	23.6	23.6	32.7	29.1
Rate of inflation	3.1%	3.6%	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%	6.9%	6.9%
Take-up of option to convert annual pension into retirement lump sum	25%	25.0%	-	-

The Fire-fighters' Pension Scheme has no assets to cover its liabilities.

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

	31 March 2009	31 March 2008
	%	%
Equity investments	73.0	72.1
Bonds	20.0	16.7
Property	5.0	6.7
Cash	2.0	4.5
Total	100.0	100.0

History of experience gains and losses

The actuarial gains identified as movements on the Pension Reserve in 2008-09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March of each year.

Local Government Pension Scheme

	2004-05 as restated %	2005-06 as restated %	2006-07 as restated %	2007-08 as restated %	2008-09 %
Differences between the expected and actual return on assets	4.45	17.64	0.98	(7.10)	(24.22)
Experience gains and losses on liabilities	0.30	0.31	(0.16)	2.59	0.00

Fire-Fighters' Pension Scheme

	2004-05 %	2005-06 %	2006-07 as restated %	2007-08 as restated %	2008-09 %
Differences between the expected and actual return on assets	-	-	-	-	-
Experience gains and losses on liabilities	1.47	3.31	(0.52)	(0.30)	6.65

Teachers' Pension Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008-09, the council paid £5.6 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£5.6 million in 2007-08). There were no contributions remaining payable at year-end.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability reported in the Balance Sheet.

29. Revaluation Reserve

This reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factor, but only to the extent that these gains have not been consumed by subsequent downward movement in value. The reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. On disposal, the Revaluation Reserve balance for the asset disposed of is written out to the Capital Adjustment Account. The overall balance on the Reserve thus represents the amount by which the current value of fixed assets carried in the Balance Sheet is greater because they are carried at revalued amounts rather than depreciated historical cost. Whilst these gains arising from revaluations increases the net worth of the authority, they would only result in an increase in spending power if the relevant assets were sold and capital receipts generated. It does not therefore represent resources available to support capital financing. The Reserve was introduced with a zero balance on 1 April 2007 and so the closing position at 31 March 2009 therefore shows only revaluation gains accumulated since that date.

	31 March 2009 £000's	31 March 2008 £000's
Balance at beginning of year	19,199	0
Revaluation gains	15,533	22,231
Impairment	(2)	0
Disposals	(688)	(2,997)
Historical Cost Depreciation Adjustment	(284)	(35)
Balance at end of year	33,758	19,199

30. Capital Adjustment Account

This account accumulates the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written-off on disposal. It also accumulates the resources that have been set-aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (Revenue Expenditure Funded from Capital under Statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that have been consumed and the amount that has been financed in accordance with statutory requirements.

	31 March 2009 £000's	31 March 2008 £000's
Balance at beginning of year	143,363	156,431
Depreciation & Impairment	(16,100)	(18,525)
Amortisation of Intangible Assets	(648)	(470)
Minimum Revenue Provision	6,578	6,244
Capital Grants & Contributions deferred	1,890	1,312
Capital Grants & Contributions not deferred	2,585	5,160
Revenue Expenditure Funded from Capital under Statute	(2,309)	(4,106)
Fixed Asset Disposals	(889)	(6,352)
Balance of Disposals on Revaluation Reserve	688	2,997
Usable Receipts Applied	2,200	1,480
Deferred Consideration	(372)	2,978
Historical Cost Depreciation Adjustment	284	35
Asset Register correction	(4,254)	(3,821)
Balance at end of year	133,016	143,363

31. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains and losses (such as the premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund. During the financial year ended 31 March 2009, the Council made early repayment of long-term debt to the Public Works Loan Board (PWLB) of £15.4 million and incurred a premium of £3.375 million. Under Capital Financing and Accounting Regulations authorities can spread the impact of premiums on Council Tax over future financial years, subject to maximum periods. The full amount of the premium is included with the Interest Payable figure in the Income and Expenditure Account, but the amount to be carried forward is then reversed out in the Statement of Movement on the General Fund Balance and shown on the Balance Sheet. This balance will be written-down through the Statement of Movement on the General Fund Balance until 31 March 2015.

	31 March 2009 £000's
Balance at beginning of year	0
Premium on early repayment of debt (charged to Income & Expenditure Account)	3,375
Charge to the General Fund in 2008-09	<u>(434)</u>
Balance at end of year	<u>2,941</u>

32. Capital Receipts Reserve

Capital Receipts are generated mainly from the sale of fixed assets and are used to support the Council's capital investment programme. All accumulated receipts were utilised in the year.

	31 March 2009 £000's	31 March 2008 £000's
Balance at beginning of year	0	0
Sale of Capital Assets	2,201	1,482
	<u>2,201</u>	<u>1,482</u>
Less: applied to capital to meet payments to the Housing Capital Receipts Pool	(2,200)	(1,480)
	<u>(1)</u>	<u>(2)</u>
Balance at end of year	<u>0</u>	<u>0</u>

33. Deferred Capital Receipts

This item comprises outstanding balances on mortgages made to private householders (former Council tenants) amounting to £0.004 million (2007-08 £0.016 million) and other sundry loans of £0.076 million (2007-08 £0.109 million).

34. Earmarked Reserves

	Balance 1 April £000's	Contributions £000's	Payments £000's	Total Movements £000's	Balance 31 March £000's
Earmarked Revenue	4,290	2,512	(4,542)	(2,030)	2,260
Repairs & Renewals Funds	1,261	220	(444)	(224)	1,037
Earmarked Reserves – Children's Services	1,472	0	(1,174)	(1,174)	298
Earmarked Reserves – Adult Social Care Services	177	75	(10)	65	242
Highways Maintenance PFI Preliminary Costs Reserve	2,003	1,426	(417)	1,009	3,012
Earmarked Reserves – Other Services	2,367	605	(918)	(313)	2,054
School Balances	2,692	448	(452)	(4)	2,688
Insurance & Risk Funds	4,655	815	(571)	244	4,899
Total	18,917	6,101	(8,528)	(2,427)	16,490

The Earmarked Revenue Reserve provides the finance for slipped expenditure to be carried forward into the next financial year. These funds include the £1.993 million of service underspends carried over to 2009-10 and £0.267 million LABGIS grant, all of which will be utilised in 2009-10 to augment existing budgets for key priorities and projects.

The Repairs and Renewals Funds comprises contingencies to meet significant items of unforeseen expenditure, together with service specific funds for equipment renewal.

The Children's Services earmarked reserves include a Health and Safety fund , an ICT reserve and a general contingency set aside to meet future requirements.

The Adult Social Care earmarked reserves relate to the Acciss replacement computer project, the Wightcare Services equipment renewals fund and a sum set-aside to provide future financing for the Find-a-Home scheme.

The Highways Maintenance PFI Preliminary Costs reserve represents funds that have been set-aside to provide funding for the initial preparation costs which are necessary for the project to be delivered.

Other Services earmarked reserves represent specific sums set aside to meet future requirements, specifically in relation to restructuring costs, computer systems developments and asset reviews, as well as individual service project funds.

School balances represent cumulative underspendings set aside by delegated budget holders under Schemes for Financing Schools. The law requires that these underspendings are carried forward, for future use by the school concerned.

Insurance and Risk Funds provide the means to take categories of insurance risk in-house in the future and to meet various contingencies. These funds also recognise that the Council faces a number of non-insurable risks that fall outside the scope of normal insurance cover including litigation, contract disputes and natural disasters. Rather than provide for these individually, with subsequent volatility within the revenue budget, the non-insurable risk element within these reserves currently provides for these potential liabilities.

35. Detail of Movement on 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.

	Balance 1 April	Net Movement in Year	Balance 31 March	Purpose of Reserve	Further Detail of Movements
	£000's	£000's	£000's		
Revaluation Reserve	19,199	14,559	33,758	Store of gains on revaluation of fixed assets not yet realised through sales	Note 29
Capital Adjustment Account	143,363	(10,347)	133,016	Store of capital resources set aside to meet past expenditure	Note 30
Financial Instruments Adjustment Account	0	(2,941)	(2,941)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 31
Capital Receipts Reserve	0	0	0	Proceeds from asset sales applied in-year to meet the cost of capital investment	Note 32
Pensions Reserve	(106,002)	(39,587)	(145,589)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 28
General Fund	16,001	(4,486)	11,515	Resources available to meet future running costs	Statement of Movement on the General Fund Balance
Earmarked Reserves	18,917	(2,427)	16,490	Resources set-aside to fund known and potential future liabilities	Note 34
Other Reserves	(255)	240	(15)	Deferred credits and Collection Fund balance	Note 33 & Collection Fund statement
Total	91,223	(44,989)	46,234		

36. Interests in other entities

The Council does not have, in aggregate, a material interest in any subsidiary companies, associated companies or joint ventures. Group Accounts have therefore not been prepared. The Council has an interest in the following entities, the accounts of which have not been consolidated into the financial statements of the Council.

Island 2000 Trust Ltd coordinates and runs projects that preserve and enhance the landscape of the Island. It is a company limited by guarantee in which the Council holds 16.67% of the voting rights. It is an influenced company, but not regulated. Further information can be obtained from the registered office:- Cowes Waterfront, Venture Quays, Castle Street, East Cowes, Isle of Wight, PO32 6EZ.

Hampshire and Wight Trust for Maritime Archaeology is a registered charity established to preserve maritime archaeology sites in the Solent. It is a company limited by guarantee in which the Council holds 10% of the voting rights. The net assets of the company are not material to the Council. It is not an influenced company or regulated. Further information can be obtained from the registered office:- Room W1/95, Southampton Oceanography Centre, Southampton, SO14 3ZH.

OSEL Enterprises Ltd provides employment for people with learning difficulties. It is a registered charity and a company limited by guarantee in which the Council has no voting rights. A significant proportion of the company's income is derived from contracts with the Council. It is an influenced company not regulated. Further information can be obtained from the registered office:- Sunnycrest Nursery, Wacklands Lane, Newchurch, Sandown, Isle of Wight, PO36 0NB.

Riverside Centre Ltd operates the multi-purpose Centre at Newport Quay. It is a company limited by guarantee in which the Council has a minority interest. A large proportion of the centre's income comes from the Council and it is therefore an influenced company not regulated. Further information can be obtained from the registered office:- The Quay, Newport, Isle of Wight, PO30 2QR.

The Isle of Wight Economic Partnership Ltd advises the Council on economic matters. It is a company limited by guarantee in which the Council has 16.67% voting rights at the AGM. It is not an influenced company or regulated. Further information can be obtained from the registered office:- The Innovation Centre, St Cross Business Park, Monks Brook, Newport, Isle of Wight, PO30 5WB.

Island Youth Water Activities Centre (Isle of Wight) Ltd operates the Cowes Watersports Centre. It is a company limited by guarantee in which the Council controls 33% of the voting rights. Approximately 40% of the company's income comes from the Council. It is an influenced regulated company. Further information can be obtained from the registered office:- Whitegates, Artic Road, Cowes, Isle of Wight, PO31 7PG.

Cowes Town Waterfront Trust Ltd owns the freehold of Cowes Marina. It is a company limited by guarantee in which the Council currently controls 25% of the voting rights. The net assets of the company are not material to the Council's accounts. It is an influenced company not regulated. Further information can be obtained from the registered office:- Vectis Yard, High Street, Cowes, Isle of Wight, PO31 7BD.

Cowes Yacht Haven Ltd is a company limited by shares. The Council owns a minority interest of 2% of the share capital, the remaining 98% being owned by Cowes Town Waterfront Trust (CTWT). The Council therefore does not have any control or influence over the company, other than through its membership of the CTWT. Further information can be obtained from the registered office:- Vectis Yard, High Street, Cowes, Isle of Wight, PO31 7BD.

Isle of Wight Maritime Heritage Partnership Ltd was incorporated in February 2007 and is a company limited by guarantee with no share capital. During 2008-09 the Council controlled 20% of the voting rights. No trade has been specifically entered into on behalf of the Council with the Company and the Company has not traded with the Council. At present, the process that would lead to the company being categorised as non-trading and dormant is being pursued. Further information can be obtained from the registered office:- County Hall, Newport, Isle of Wight, PO30 1UD.

37. Contingent Liabilities

The Council has indemnified the South Wight Housing Association in respect of the cost of any defects that would have led to a reduction in the transfer valuation of the former South Wight Borough Council housing stock, had a full survey been made on an individual property basis. The potential liability has not been quantified, but since the time elapsed since the transfer is now eighteen years, there is a diminishing probability of a claim against the Council.

38. Authorisation of Accounts for Issue

The Director of Resources authorised the financial statements for issue on 28 September 2009.

39. Events after the Balance Sheet Date

There were no Post Balance Sheet Events recorded prior to the authorised for issue date and any events that occurred after this date have not been recognised in the Statement of Accounts.

40. Trust Funds and Other Balances

The Council holds a number of trust funds and balances on behalf of others which are not included in the Balance Sheet. These include cash held in safekeeping for residents of old peoples' homes and amenities funds set up to provide facilities at particular establishments from the proceeds of fund raising and bequests. The main Trust Funds are as follows:-

- The Brenda James Trust Fund, which was established with the object of the advancement of music education on the Isle of Wight for the benefit of pupils and young musicians, has a balance of £1.104 million at 31st March 2009 (£0.101 million on 31st March 2008).
- The charity of Tom Woolgar which was established in 1929 to give relief to the poor and aged in the Borough of Newport, has a balance of £0.036 million at 31st March 2009 (£0.047 million on 31st March 2008).

	31 March 2009 £000's	31 March 2008 £000's
Trust Funds Etc	146	154
Cash in Safekeeping	17	15
Amenity Funds	101	107
Total	264	276

41. Reconciliation of the deficit on the Income and Expenditure Account and the Collection Fund to the Net Revenue Activities Cash Flow

	2008-09 £000's	2008-09 £000's	2007-08 £000's
Deficit on Income & Expenditure Account		(20,750)	(19,383)
Surplus/(Deficit) on Collection Fund		285	(108)
		(20,465)	(19,491)
Non-Cash Transactions			
Depreciation and Impairment	16,748		18,995
Deferred Grants amortised in year	(1,890)		(1,312)
Capital grants & contributions not deferred	(2,585)		(5,160)
Net PFI debtor adjustment	372		372
Pension Fund adjustments	3,820		1,951
Contributions to Provisions	1,025		(403)
		17,490	14,443
Adjustment for items reported separately on Cashflow			
Interest and Investment income	(2,496)		(2,841)
Interest payable and similar charges	10,937		7,944
Interest element of finance lease rental payments	24		26
Revenue Expenditure funded from Capital Resources under Statute	2,309		4,106
Gain or loss on the disposal of Fixed Assets	(1,301)		4,877
		9,473	14,112
Items on an Accrual Basis			
(Increase)/Decrease in Stock	(9)		(19)
(Increase)/Decrease in Debtors	(2,655)		2,769
Increase/(Decrease in Creditors)	(5,285)		4,769
		(7,949)	7,519
Net Cash Inflow/(outflow) from Operating activities		(1,451)	16,583

42. Analysis of Net Debt (Reconciliation of Net Debt to related items in the Balance Sheet)

	Cash	Temporary Investments & Short Term Deposits	Total	Loans due within one year	Loans due after more than one year	Deferred Liabilities	Net Debt
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1 April 2008	(1,243)	34,418	33,175	(9,739)	(132,720)	(520)	(109,804)
Cashflow/changes in year	(3,743)	(22,571)	(26,314)	(3,177)	18,713	43	(10,735)
Balance at 31 March 2009	(4,986)	11,847	6,861	(12,916)	(114,007)	(477)	(120,539)

43. Reconciliation of changes in cash to movement in net debt

	2008-09 £000's	2008-09 £000's	2007-08 £000's
Increase/(Decrease) in cash in year		(3,743)	1,704
Cash inflow/(outflow) from management of Liquid Resources		(22,571)	3,972
Cash inflow from new loans raised		(3,179)	0
Cash outflow from loans repaid	18,483		2,320
Payment of interest accrued at last Balance Sheet date	1,552		1,865
Deferred Liabilities repaid	43		41
		<hr/> 20,078	<hr/> 4,226
Change in net debt resulting from cash flows		(9,415)	9,902
Other Non-Cash Changes:			
Interest accrued at year end on short term investments		(1,320)	(1,552)
Net Debt brought forward		(109,804)	(118,154)
Net Debt carried forward		(120,539)	(109,804)

44. Analysis of changes in cash and liquid resources during the year

	2008-09 £000's	2007-08 £000's
Short-term Deposits	(22,571)	3,972
Cash	2,006	78
Bank overdraft	(5,749)	1,626
Increase/(Decrease) in year	<hr/> (26,314)	<hr/> 5,676

45. Management of Liquid Resources

The Council's liquid resources in 2008-09 consisted of short-term investments to banks, building societies and the Debt Management Account Deposit Facility (DMADF), which could be realised in a relatively short time. These investments were made in accordance with the Council's Treasury Management Strategy. Details of the Council's Treasury Management Strategy are shown in Note 50.

46. Analysis of Government Grants

	2008-09 £000's	2007-08 £000's	2008-09 £000's	2007-08 £000's
	Revenue Grants		Capital Grants	
Department for Children, Schools & Families	95,276	94,778	15,827	11,985
Department of Health	555	5,725	227	406
Home Office	26	490	33	0
Dept of Works and Pensions – Housing Benefit	40,866	39,851	0	0
Dept of Works and Pensions – Other	13,477	12,698	0	0
Department of Transport	903	705	1,181	1,962
Department for Communities & Local Government	9,243	10,864	167	182
Other (including European Grants)	1,058	1,885	259	626
	161,404	166,996	17,694	15,161

47. Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school.

Details of the deployment of DSG receivable for 2008-09 are as follows:

Deployment of Dedicated Schools Grant

	Central Expenditure £000's	Individual Schools Budget (ISB) £000's	Total £000's
Final DSG for 2008-09			72,709
Brought forward from 2007-08			(38)
Carry-forward to 2009-10 agreed in advance			0
Agreed budget distribution in 2008-09	9,911	62,760	72,671
Actual central expenditure	10,106		
Actual ISB deployed to schools		62,747	
Local authority contribution for 2008-09	0	0	0
Carry forward to 2009-10	(195)	13	(182)

48. Section 106 receipts

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. These amounts are included in the Creditors and Receipts in Advance figure on the Balance Sheet. The major balances of Section 106 receipts held by the Council during the year were as follows:-

	31 March 2008 £000's	Income £000's	Expenditure £000's	31 March 2009 £000's
B & Q Dodnor Lane/Medina Way – Public Transport in Newport	139	0	0	139
Whitcroft, Sandy Lane, Newport	250	0	(250)	0
Kingston, East Cowes	260	25	(10)	275
Tesco Store, Ryde	222	0	0	222
Mornington Road, Cowes	271	0	(215)	56
Windsor Road, Shanklin	136	0	(136)	0
Former Dairy Crest site, Old Westminster Lane, Newport	0	278	0	278
Honeycross Project	136	0	0	136
Coppins Bridge Project	136	0	0	136
Other	605	429	(247)	787
Total	2,155	732	(858)	2,029

49. Euro Costs

The precise costs arising from the adaptation of operational and information systems to accommodate a future British participation in the single European currency have not yet been evaluated. At this stage it is considered that costs to be incurred in addition to the Councils' in-house resources will not be material.

50. Financial Instruments

The Balance Sheet includes the following financial liabilities and financial assets:-

	Long-Term		Current	
	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's	31 March 2008 £000's
Financial liabilities at amortised cost	(114,484)	(133,240)	(20,206)	(20,562)
Total financial liabilities	(114,484)	(133,240)	(20,206)	(20,562)
Loans and receivables	94	141	16,114	40,767
Available-for-sale financial assets	11	11	0	0
Total financial assets	105	152	16,114	40,767

The gains and losses recognised in the Income and Expenditure Account and the Statement of Recognised Gains and Losses in relation to financial instruments are made up as follows:

	31 March 2009 £000's	31 March 2008 £000's
Financial Liabilities		
Interest from Financial Liabilities measured at amortised cost	(10,961)	(7,970)
Financial Assets		
Interest from Loans and Receivables	2,496	2,841
Interest from Available-for-sale assets	0	0
Interest and Investment income	2,496	2,841
Net loss for the year	(8,465)	(5,129)

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the fair value of loans from the PWLB has been calculated by reference to the 'premature repayment' rates in force on 31 March
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair value of long-term PWLB loans is calculated as follows:

	31 March 2009		31 March 2008	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Financial liabilities	117,073	136,495	132,720	144,748

The fair value is more than the carrying amount because the Authority's PWLB portfolio comprises fixed rate loans where the interest rate payable is higher than the premature repayment rates available for similar loans at the Balance Sheet date. The commitment to pay interest above these rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of these loans.

There are three Lender Option Borrower Option (LOBO) loan amounting to £9 million included in the 'Repayable within one year' category. The lenders have the option to request a change in the interest rate which could lead the Council to make an early repayment. None of the lenders have exercised their option to change the interest rate.

Amount (£000's)	Interest Rate (%)	Final Maturity Date
1,000	6.65	24/09/2012
3,000	5.34	19/11/2013
5,000	4.27	25/11/2041

Disclosure of nature and extent of risks arising from financial instruments

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

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

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and the Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting;
 - the Council's overall borrowing
 - its maximum and minimum exposures to fixed and variable rates
 - the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond one year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated maximum exposure to default & uncollectability	Estimated maximum exposure at 31 March 2008
	A £000's	B %	C %	(A x C) £000's	£000's
Deposits with banks and financial institutions	11,847	0.0	0.0	0	0
Customers	2,287	6.44	26.20	599	615
Other Debtors	4,679	0.0	0.0	0	0
Total				599	615

As reported above, the Council's exposure to credit risk is managed in accordance with its annual Treasury Management Strategy which for 2008-09 was approved by the Council in February 2008. Amongst other controls, the Strategy sets out the arrangements for managing credit risk (ie the risks of borrowers defaulting). The main controls used are:

- Using credit ratings to assess the credit standing of borrowers
- Defining a list of borrowers to which the Council considers it secure to lend (the lending list)
- Defining limits to its exposure to any one institution or group of institutions
- Defining time limits as to how long the Council will lend to particular institutions

In ordinary circumstances, these controls once set are sufficient to manage any credit risk. However, during 2008-09, because of the global economic situation, it has been necessary to monitor these controls more closely, including the following:

- Credit ratings and outlook for each borrower are continuously monitored and reviewed on a weekly basis
- The lending list is reviewed as a result of credit ratings analysis and other intelligence information.
- Borrowers' limits are changed in accordance with those reviews (in 2008-09 some borrowers have been removed from the list, whilst others have had their limits reduced).
- The Council has used the UK Debt Management Office's Debt Management Account Deposit Facility (DMADF) to deposit surplus funds, rather than be exposed to the credit risk of commercial institutions
- Where it has been able to forecast that the Council would have surplus funds for the foreseeable future, the Council has opted to repay some of its long term PWLB debt
- The strategy for treasury management activity is reviewed by the Director of Resources, Head of Financial Management, Chief Technical Officer and Loans and Investment Technician on a monthly basis. Appropriate actions have been taken as a result of those reviews
- A 'weekly loans report' is produced and reported to the Chief Technical Officer, head of Financial Services and the Director of Resources.

The Council's Treasury Management Strategy approved on 5 February 2008 is located on the following link to the Council's website:-

<http://www.iwight.com/council/committees/mod-Council/20-2-08/Paper%20B%20-%20Appendix%206a.pdf>

The authority does not expect any losses from non-performance by any of its counterparties in relation to deposits. The amount shown as the exposure due to default and uncollectability is covered by the Provision for Bad Debts.

The authority does not generally allow credit for customers, the amount due can be analysed by age as follows:

	31 March 2009	31 March 2008
	£000's	£000's
Less than two months	828	2,599
Two to six months	495	381
Six months to one year	536	321
More than one year	959	857
Total	2,818	4,158

Liquidity Risk

As the authority has ready access to borrowings from the Public Works Loan Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

Under the arrangement for the £9 million of the authority's borrowing which is through three LOBO loans, the lenders have the option to increase the interest rate each year. If the lenders were to increase the interest rate, the authority has the right to repay the loan without penalty. In this case, it is possible that the Council would have to pay higher interest if it chose to replace the loan.

The remainder of the Council's borrowing consists of fixed rate PWLB debt. The PWLB allows debt to be rescheduled prior to maturity, although this may necessitate paying a premium to PWLB.

The maturity analysis of financial liabilities is as follows:

	31 March 2009	31 March 2008
	£000's	£000's
Less than one year	12,916	9,739
Between one and two years	0	3,068
Between two and five years	1,030	6,151
More than five years	112,977	123,501
Total	126,923	142,459

All other payables are due to be paid in less than one year.

Market Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund balance £ for £.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides minimum and maximum limits for fixed and variable rate exposure. Market and forecast interest rates are monitored within the year to adjust exposures appropriately. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would have been an increase in investment income of £0.454 million. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed.

Price Risk

The Council has no equity shares or shareholdings. It therefore has no exposure to loss arising from movements in share prices.

Foreign Exchange Risk

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

Balance Sheet Disclosures

All of the above borrowings, investments, interest payable and interest receivable are disclosed in the Balance Sheet or Income and Expenditure Accounts, as appropriate. Two reserves have been included in the Balance Sheet that help to manage the accounting requirements of Financial Instruments:

- the Available-for-Sale Financial Instruments Reserve – records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. Due to the nature of the Council's financial instruments, there are no entries to be made under this heading in respect of the 2008-09 financial year.
- the Financial Instruments Adjustment Account – provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

Group Accounts

The 2008 Statement of Recommended Practice (SORP) requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The financial statements will include:-

- group income and expenditure account
- group balance sheet
- group cash flow statement
- group statement of total movements on reserves

In order to assess whether this authority has interests relevant to group accounts, consideration has been given to involvement with companies, partnerships, voluntary organisations and other public bodies to determine whether:-

- the authority has a formal interest in a body which gives it access to economic benefits or service potential and that the body is an identifiable entity carrying on a trade or business of its own.
- the interest constitutes control over the majority of equity capital or voting rights or over rights to appoint the majority of the governing body or the interest involves it exercising, or having the right to exercise, dominant influence over the entity, such that the entity is classified as a subsidiary of the authority.
- if the authority does not have control, whether its interests involves it being able to exercise a significant influence over the entity without support from other participants, such that the entity is classified as an associate of the authority.
- if the authority does not have control, whether its interest allows it to direct the operating and financial policies in conjunction and with the consent of the other participants in the entity, such that the entity is classified as a joint venture for the authority.

Consideration has been given to the relationship with all potential entities and the following disclosures have been made:-

- Entities included in the accounts of the Isle of Wight Council as shown in Note 2(c) to the Explanatory Foreword.
- Interests in other entities as shown in Note 36 to the Accounts

There are no entities where the Council's interest is such that it would give rise to the requirement to prepare group accounts.

This position is reviewed and updated on an annual basis.

THE COLLECTION FUND

	£000's	2008-09 £000's	2007-08 £000's
Income			
Council Tax (note 2)		(63,656)	(60,370)
Transfers from General Fund:-			
Council Tax Benefits	(11,151)		(10,459)
Contribution re: Discretionary Relief	(78)		(80)
		(11,229)	(10,539)
Income collectable from business ratepayers (note 1)		(28,953)	(26,752)
Contribution towards previous year's Collection Fund (deficit)/surplus			
Isle of Wight Council	(377)		(129)
Hampshire Police Authority	(40)		(13)
		(417)	(142)
		(104,255)	(97,803)
Expenditure			
Isle of Wight Council Precept (note 3)		67,506	64,271
Police Precept		7,385	6,753
Business Rate:-			
Payment to National Pool	28,692		26,632
Costs of Collection	250		251
		28,942	26,883
Bad and doubtful debts:-			
Council Tax:			
Write-offs	(17)		106
Provisions	65		(51)
		48	55
Business Rates:			
Write-offs	31		7
Provisions	58		(58)
		89	(51)
		103,970	97,911
Collection Fund Balance at 31st March		2008-09 £000's	2007-08 £000's
Balance on Fund at start of year		380	272
(Surplus)/Deficit for Year		(285)	108
Balance on Fund Carried Forward		95	380

NOTES TO THE COLLECTION FUND

1. The total non-domestic rateable value at 31 March 2009 was £72.9 million and the non-domestic rate multiplier for the year was 46.2p. A reduced multiplier of 45.8p was applicable where there was eligibility for Small Business Rate Relief. The gross yield for the year was £32.464 million and the net yield was £28.953 million. Several nationally defined adjustments and reliefs contribute towards this reduction as shown below:-

	£000's	£000's
Gross Non-domestic rate yield at 31 March 2009		32,464
Less:-		
Mandatory relief to charities etc	(1,477)	
Empty rate relief	(639)	
Small Business Rate relief	(1,279)	
Transitional relief	(75)	
Interest on refunds	(41)	
		(3,511)
Net Non-domestic rate yield at 31 March 2009		28,953

2. The following details the number of properties in each valuation band of the tax base for 2008-09:-

Band	Net Chargeable Dwellings	Relevant Proportion	Band D equivalents
Band A (disabled)	14	5/9	8
Band A	7,640	6/9	5,093
Band B	14,527	7/9	11,299
Band C	14,616	8/9	12,992
Band D	11,635	9/9	11,635
Band E	6,275	11/9	7,670
Band F	2,699	13/9	3,898
Band G	1,298	15/9	2,163
Band H	83	18/9	166
Total	58,787		54,924
Less reduction for bad debts & valuation changes (0.8%)			(440)
2008-09 Council Tax Base			54,484
Council Tax per Band D property (£)			1,215.80

The Council Tax income figure as shown in the accounts is net of discounts, exemptions and benefits.

3. The following precepts were made on the fund in 2008-09:-

	£000's
Isle of Wight Council Precept	65,865
Estimated Collection Fund deficit	377
Parish & Town Council Precepts	1,264
Demand on the Collection Fund	67,506
Hampshire Police	7,385
Total Precepts	74,891

ISLE OF WIGHT COUNCIL FIREFIGHTERS' PENSION FUND

The Council, acting as a Fire and Rescue Authority, administers and pays fire-fighters' pensions. Employee and employer contributions are paid into the Pension Fund from which benefit payments are made. The scheme is an unfunded scheme, consequently the fund has no investment assets and is balanced to nil each year by the receipt of a top-up grant from the Department of Communities and Local Government (DCLG), or by paying over the surplus to the DCLG. The benefits payable from the fund are firefighters' pensions.

The Fund was established for authorities in England under the Firefighters' Pension Scheme (Amendment) (England) Order 2006 (SI 2006 No 1810). Employees' and employers' contribution levels are based on percentages of pensionable pay set nationally by the DCLG and are subject to triennial revaluation by the Government Actuary's Department.

Regular firefighters employed before 6 April 2006 were eligible for membership of the Firefighters' Pension Scheme (FPS). This scheme is now closed. A New Firefighters' Pension Scheme (NFPS) was introduced for regular and retained firefighters employed since 6 April 2006. These two schemes have been combined for the purpose of the Firefighters' Pension Fund Account and the Net Assets Statement.

Accounting Policies

1. As the Pension Fund has no investment assets and does not account for benefits payable in the future, there are no accounting policies that diverge from those set out in the main Statement of Accounting Policies.
2. The Net Assets Statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date. The Authority's liability calculated under FRS17 is disclosed in Note 28 to the Core Financial Statements.

FIREFIGHTERS' PENSION FUND ACCOUNT

	2008-09	2007-08
	£000's	£000's
Contributions receivable:		
Fire authority:		
Employers' contributions in relation to pensionable pay	(470)	(469)
Early retirements	0	0
Firefighters' contributions	(253)	(254)
		(723)
Transfers in from other authorities		0
		(29)
Benefits payable:		
Pensions	1,136	1,056
Commutations and lump sum retirement benefits	519	0
Lump sum death benefits	0	0
		1,655
		1,056
Payments to and on account of leavers:		
Transfers out to other authorities	0	0
Refunds of contributions	0	0
		0
		0
Net amount payable for the year		932
Top-up grant payable by the Government		(932)
		0
		0

NET ASSETS STATEMENT

	2008-09	2007-08
	£000's	£000's
Current Assets		
Debtors - Top-up receivable from the Government	699	0
Amount owing from General Fund	0	121
Current Liabilities		
Creditors – Top-up payable to the Government	0	(121)
Amount owing to General Fund	(699)	0
	0	0

ISLE OF WIGHT COUNCIL PENSION FUND

Fund Account for year ended 31 March 2009

	<u>Note</u>	£000	2008-09	2007-08
			£000	£000
Contributions and Benefits				
Contributions receivable:				
From Employers	2	13,163		12,776
From Employees or Members	2	4,049		3,671
Transfers in	3	1,990		3,516
Other Income	4	16		39
			19,218	20,002
Benefits Payable				
Pensions	5	11,186		10,496
Lump Sums (including retirement & death benefits)	5	3,382		2,127
Payments to and on account of leavers:				
Refunds of contributions		15		6
Transfers out		1,958		1,330
Administrative and other expenses	6	420		365
			16,961	14,324
Sub total – Net additions from dealings with members			2,257	5,678
Returns on Investments				
Investment income (see analysis below)	7		8,354	11,604
Change in market value of investments (realised & unrealised)	8		(57,451)	(19,802)
Irrecoverable withholding tax	9		(508)	(475)
Investment management expenses	10		(597)	(357)
Sub total – Net returns on investments			(50,202)	(9,030)
Net increase (decrease) in the fund during the year			(47,945)	(3,352)
Opening Net assets of the scheme			257,862	261,214
Closing Net assets of the scheme			209,917	257,862

ISLE OF WIGHT COUNCIL PENSION FUND

Net Assets Statement as at 31 March 2009

	2008-09	2007-08
	£000	£000
Investments Assets		
Fixed Interest – Treasury Bonds	5,291	18,759
Equities	112,566	137,569
Unit Trusts – Property	10,933	16,957
Unit Trusts – Other	76,551	72,322
Currency Forwards	0	(98)
Margin Account	81	425
Cash Backing Offset	531	255
Cash – JP Morgan	3,325	10,565
	209,278	256,754
Other Investment balances		
Interest	67	296
Security sales	509	90
Dividends	512	974
	1,088	1,360
Investment Liabilities		
Futures	(544)	(324)
Security purchases	(258)	(225)
	(802)	(549)
	209,564	257,565
Temporary Advance – Isle of Wight Council	413	228
Current assets		
Debtors - Government	80	74
- admitted bodies	155	118
- other	0	2
	235	194
Current liabilities		
- investment management expenses	(295)	(125)
Net Assets	209,917	257,862

ISLE OF WIGHT COUNCIL PENSION FUND

Accounting Policies

- 1 The accounts have been prepared in accordance with the CIPFA Local Government SORP 2008-09 and the Financial Reports of Pension Schemes SORP (revised 2007). They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme which takes account of such liabilities is dealt with in Notes 12, 14 and 15.
- 2 Benefits and Withholding tax are accounted for on a payments basis. Contributions and investment income are accounted for on an accruals basis.
- 3 Listed Investments are shown at Market value. The market value is based on the bid market quotation on the relevant Stock Exchange on 31 March 2009. Investments held in foreign currencies are shown at market value translated into the equivalent sterling rate ruling at 31 March 2009. Collective investment schemes are valued at the middle of bid and offer price or functional equivalent.
- 4 Additional Voluntary Contributions (AVCs) are separately invested for the benefit of individual members. To comply with the Pension SORP and Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment Funds) Regulations 1998, AVC's are accounted for and disclosed separately from the net assets statement and fund account of the pension fund see note 21 for details. AVC assets and returns on these assets are based on figures supplied by the Prudential Life and Pensions. Deductions are made from members salaries during the year and invested on an accruals basis.
- 5 The Isle of Wight Council administration costs represent the operating costs of the pension department plus recharges made by other departments for services provided to the pension fund.

The investment management fees were payable to Schroder Investment Management and calculated on the performance of the portfolio (The Base Fee) chargeable on a quarterly basis plus an additional annual sum computed on performance against an agreed benchmark. These fees are accounted for on an accruals basis.

The additional performance fee of 8% of the difference between performance and benchmark is payable if the annualised return on the Fund over any three-year period ended 31st March exceeds the annualised return on the Composite Benchmark over the same three-year period.

Monthly custody fees are payable to JP Morgan Chase and are accounted for on an accruals basis.
- 6 Transfer values to and from other pension funds have been included in the accounts on the basis of the actual amounts received and paid out in the year.
- 7 As required by the Local Government Pension Scheme (Amendment) (No 3) Regulations 2007 a separate additional detailed Pension Fund Annual Report and Accounts has been produced.
- 8 Currency translation
Assets and liabilities in foreign currency are translated into Sterling at exchange rates ruling at the financial year-end. Any gains or losses arising are treated as part of the investment income.
- 9 Comparative market values
The investment manager was unable to produce a valuation dated 31 March 2008 using Bid prices, as a result the comparative figures for 2007-08 cannot be restated and as such this is a departure from the SORP.
10. The pension fund accounts have been prepared on the basis of a going concern.

1. Operation and Membership

The Fund is administered by the Council to provide retirement benefits for the majority of local government employees throughout the Isle of Wight, with the exception of Teachers and Fire-fighters. Membership of the Local Government Scheme is available to most employees between the ages of 16 and 65.

Employees have a right to 'opt out' of the Scheme and rely on alternative schemes such as the State Earnings Related Scheme (SERPS) or a Personal Pension Scheme.

In addition to the employees and councillors of the Isle of Wight Council, some of the employees of other bodies participate in the Fund.

Cowes Harbour Commissioners
 Yarmouth (IW) Harbour Commissioners
 St Catherines School Ltd
 Trustees of Carisbrooke Castle Museum
 IW Society for the Blind
 Isle of Wight Magistrates' Courts Committee
 Isle of Wight Rural Community Council
 South Wight Housing Association Ltd
 Medina Housing Association Ltd
 The Quarr Group (formerly Island Group 90 Ltd)
 Isle of Wight College
 Riverside Centre Ltd
 Osel Enterprises Ltd
 Planet Ice (IOW) Ltd
 Island 2000 Trust Ltd
 First Wessex Housing Group Ltd formerly Atlantic Housing Group Ltd
 Wootton Bridge Parish Council
 Yarmouth Town Council
 Northwood Parish Council
 Newport Parish Council
 Chale Parish Council

At 31 March 2009

	Administering Authority	Scheduled Bodies	Admitted Bodies	Total
Number of Contributors	4,535	192	108	4,835
	£000's	£000's	£000's	£000's
Employees Contributions	3,712	182	156	4,050
Pensions paid	12,863	442	1,258	14,563
Employers Contributions	11,514	530	588	12,632

A deficit-funding sum of £0.102 million was paid by South Wight Housing Association, as required by the actuarial valuation 31.3.2007 and is included in the above admitted bodies employers contributions.

New Regulations came into force on 1 April 2008 and one of the major changes was in respect of employee contributions which are banded from 1 April 2008 as in the following general table.

Band	Range (Annual full-time equivalent pay)	Contribution rate
1	£0 - £12,000	5.5%
2	More than £12,000 up to £14,000	5.8%
3	More than £14,000 up to £18,000	5.9%
4	More than £18,000 up to £30,000	6.5%
5	More than £30,000 up to £40,000	6.8%
6	More than £40,000 up to £75,000	7.2%
7	More than £75,000	7.5%

The contribution rate for each employee will be based on their annual full-time equivalent pay as at 1 April 2008, or commencement of employment if later, and that contribution rate is applicable throughout the year. The salary bandings will be increased each April in line with rises in the Retail Prices Index.

If an employee has more than one employment, each employment will be assessed and treated separately.

Those employees paying the protected rate of 5% will be increased as follows

Year commencing	Contribution rate
1 April 2008	5.25%
1 April 2009	5.5%
1 April 2010	6.5%
1 April 2011 onwards	See general table above

If the protected contribution rate is higher than it would have been but for the protection, the lower rate from the general table will apply.

The rate at which the employers contribute to the Fund is determined by the actuarial valuations of the Fund (See Notes 12, 13 and 14).

During 2008-09, 920 purchases and 914 sales of investments took place following broad guidelines accepted by the Pension Fund Committee

The cost of purchases amounted to £83.4 million and the net proceeds received from the sales totalled £68.4 million. The Fund's managing agents for the period were Schroder Investment Management (UK) Ltd.

The Custody of the fund investments (including cash) was undertaken by JP Morgan Chase.

At 31 March 2009 the number of individual holdings was as follows:

UK Equities	55
Overseas Equities	127
UK Government Securities	10
Non UK Government Securities	1
International Bond	1
Unit Trusts	7
Property Unit Trusts	1
Futures	1
	203

Net new money coming into the Fund in 2008-09, that is to say the excess of contributions and investment income over benefit payments and expenses, amounted to £9.5 million compared to £16.4 million in 2007-08.

The net assets of the fund at 31 March 2009 totalled £209.9 million, a reduction of 18.6% on the 2007-08 valuation of £257.9 million.

Notes relating to Fund Account and net assets statement

2	<u>Contributions receivable</u>	2008-09	2007-08
	<u>Employers</u>	£000's	£000's
	Normal	12,531	11,906
	Special (Capitalisations)	530	408
	Additional (deficit funding and cessations)	102	462
		13,163	12,776
	<u>Members</u>		
	Normal	4,042	3,666
	Additional	7	5
		4,049	3,671

The special (capitalisation) contributions are payable to the pension fund over a maximum 5 year period to augment benefits for specific pension fund members on retirement.

Deficit funding was payable as required by the actuarial valuation dated 31 March 2007 by the South Wight Housing Association for 2008-09 £0.102 million (2007-08 £0.104 million).

3	<u>Transfers in</u>	2008-09	2007-08
		£000's	£000's
	Payments in relation to individual fund members	1,990	3,516
4	<u>Other income</u>	2008-09	2007-08
		£000's	£000's
	Interest paid by Isle of Wight Council	0	24
	Miscellaneous income	9	12
	Contribution Equivalent Premiums	7	3
		16	39

CEPs Contribution Equivalent Premiums are sums relating to National Insurance Contributions payable when an employee leaves the pension fund without entitlement to benefits. Sums are held as a contingent asset/liability and these amounts remain so until the relevant employee request a refund of contributions payable, a transfer is made to another pension fund or returns to the employ of the Isle of Wight Council.

5	<u>Benefits payable</u>	2008-09	2007-08
		£000's	£000's
	Annual retirement pension	7,946	7,555
	Pension increase on annual pension	3,240	2,941
		11,186	10,496
	Commutation of pension	0	2
	Retirement allowance lump sum	3,050	1,847
	Death Grants	135	152
	Pension increase on lump sum	197	126
		3,382	2,127

6	<u>Administrative expenses</u>	2008-09	2007-08
		£000's	£000's
	Administering authority	347	295
	IT Costs	53	50
	Other expenses	20	20
		420	365
7	<u>Investment income</u>	2008-09	2007-08
		£000's	£000's
	Fixed interest	655	777
	Equities	5,964	5,099
	Index linked	0	0
	Unit trusts – property	474	587
	Unit trust – other	1,002	4,248
	Interest	157	703
	Currency trade net	(227)	190
	Other	329	0
		8,354	11,604

8 <u>Change in Market value of assets</u>	Value at 1.4.08	Purchases at Cost	Sales Proceeds	MID to BID in year adjustment	Change in Market Value	Value at 31.3.09
	£000's	£000's	£000's	£000's	£000's	£000's
Fixed Interest treasury						
Bonds	18,759	2,980	(16,882)	4	430	5,291
Equities	137,569	58,690	(39,263)	26	(44,456)	112,566
Unit Trusts - Property	16,957	0	0	237	(6,261)	10,933
Unit Trust - Other	72,322	18,214	(6,406)	0	(7,579)	76,551
Cash Currency Forwards	(98)	0	0	0	98	0
Futures Cash Backing Offset	255	0	0	0	276	531
Futures	(324)	5,245	(5,850)	0	385	(544)
Futures Margin Account	425	0	0	0	(344)	81
	245,865	85,129	(68,401)	267	(57,451)	205,409
Cash – JP Morgan	10,565					3,325
Totals	256,430	85,129	(68,401)	267	(57,451)	208,734

- 9 The Isle of Wight Council Pension Scheme is an Exempt Approved Scheme under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988.

Income arising from deposits or investments held for the purpose of the scheme is exempt from tax.

This exemption no longer entitles the pension fund to repayment of tax paid on UK dividends. The sum of UK withholding tax, which was irrecoverable in the year 2008-09, amounted to £0.508 million.

10	<u>Investment management</u>	2008-09	2007-08
		£000's	£000's
	Investment management expenses	(432)	(279)
	Fees to appoint new investment managers	(91)	0
	Actuary fees	(74)	(78)
		<hr/> (597) <hr/>	<hr/> (357) <hr/>

11. Status of the Scheme

11.1 The Local Government Pension Scheme is 'contracted out' of SERPS.

11.2 The Scheme is a 'final salary scheme'. This means that benefits do not depend on investment performance, but generally on the level of salary during the last 12 months before retirement and the length of total Local Government service during which contributions have been paid in to the Fund.

12 Actuarial position of the fund

The funds most recent triennial actuarial valuation was undertaken by its independent actuarial advisors Hymans Robertson and based on the position as at 31 March 2007. The position at that time showed an improvement in the funding position relative to the previous valuation, which was undertaken as at 31 March 2004. This latest valuation shows that the assets of the Fund equated to 80% compared to the previous valuation of only 71%. The latest review of the funding level took place at 30 June 2008 and showed a level of 67%.

13 Actuarial Valuation provided by Hymans Robertson

The last valuation relevant to the year 2008-09 was completed at 31 March 2007.

Reference to this particular valuation can be found in the Pension Fund Annual Report and Accounts.

14 Valuation 31 March 2007

This valuation was carried out to calculate employer's contribution rates for the years 2008-9, 2009-10 and 2010-11.

14.1 Statement provided by the actuary

As required by regulation 77 of the Local Government Pension Scheme Regulations 1997, the last actuarial valuation of the Isle of Wight Council Pension Fund's assets and liabilities was carried out as at 31 March 2007.

14.2 Security of Prospective Rights

In the actuary's opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion it has been assumed that the following amounts will be paid to the Fund.

Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until 31 March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

Contributions by employers in accordance with the Rates and Adjustments certificate dated 23 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in the Rates and Adjustments certificate dated 25 March 2008 (see below).

14.3 Summary of Methods and Assumptions Used

Full details of the method and assumptions are described in the actuary's valuation report dated 25 March 2008 and the Rates and Adjustments certificate contained therein.

Copies of these documents are available on request from the Finance Department of the Isle of Wight Council. The actuary's opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to an employer; or
- the attained age valuation method for employers who are closed to new entrants.

These methods assess the cost of benefits accruing to existing members during

- the year following the valuation; or
- the remaining working lifetime, respectively

allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the assessed value of assets.

14.4 Valuation of Assets

A "market related" valuation method has been used. This is consistent with the methodology adopted at the 2004 valuation.

14.5 Valuation assumptions

The key financial assumptions adopted at the 2007 valuation are set out in the table below.

Assumption	Derivation	Rate at 31 March 2007	
		Nominal	Real
Price Inflation (RPI)	Market expectation of long term future inflation as measured by the difference between yields on fixed and index linked Government bonds as at the valuation date	3.2%	-
Pay Increases 'Gilt Based'	Assumed to be 1.5% p.a. in excess of price inflation	4.7%	1.5%
Discount Rate Funding Basis	The yield on fixed interest (nominal) and index linked (real) Government bonds	4.5%	1.3%
Discount Rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1%	2.9%

The 2007 valuation revealed that the Fund's assets, which at 31 March 2007 were valued at £261.9million, were sufficient to meet approximately 80.2% of the liabilities accrued to that date. There was a shortfall of assets to the assessed cost of members' benefits of £64.9 million.

14.6 The next actuarial valuation

The next valuation of the Fund will be carried out as at 31 March 2010 and the results known later that year. This valuation will allow for the experience of the Fund from 31 March 2007 and up-to-date financial assumptions at that time.

The actuary is aware that some employers may pay contributions in excess of the minimum amounts shown in the Rates and Adjustments certificate. These extra payments will be taken into account in the 2010 valuation and will act to reduce the contributions that would otherwise have been payable.

Minimum Total contribution Rates expressed as a percentage of pensionable pay are as set out below:-

Future Employer Contributions	Minimum Contribution for the year ending 31 March		
	2009	2010	2011
Isle of Wight Council	20.0%	21.0%	22.0%
Isle of Wight College	18.7%	18.7%	18.7%
Yarmouth Harbour Commissioners	23.0%	25.0%	27.0%
Cowes Harbour Commissioners	23.0%	25.0%	27.0%
St Catherine's School Ltd	23.0%	25.0%	27.0%
Trustees of Carisbrooke Castle Museum	23.0%	25.0%	27.0%
IW Society for the Blind	23.0%	25.0%	27.0%
Isle of Wight Rural Community Council	23.0%	25.0%	27.0%
South Wight Housing Association Ltd	18.7%	18.7%	18.7%
Additional lump sum deficit contribution	£102,000	£106,794	£111,813
Medina Housing Association Ltd	20.9%	22.1%	23.3%
Riverside Centre Ltd	17.4%	18.0%	18.5%
Osel Enterprises Ltd	17.4%	18.0%	18.5%
Planet Ice (IOW) Ltd	12.2%	12.2%	12.2%
Island 2000 Trust Ltd	12.2%	12.2%	12.2%
Isle of Wight Council Councillors	20.0%	21.0%	22.0%

During 2008-09, three of the admitted bodies requested that they should no longer be considered with others in a pool, but should be considered as separate employers for the purposes of contribution rates.

As a result a revised schedule of employers contributions were calculated for the following employers

Future Employer Contributions	Minimum Contribution for the year ending 31 March		
	2009	2010	2011
Yarmouth Harbour Commissioners	23.5%	26.0%	28.5%
Cowes Harbour Commissioners	21.3%	21.6%	21.9%
St Catherine's School Ltd	25.1%	29.2%	33.3%
Trustees of Carisbrooke Castle Museum	21.7%	22.4%	23.1%
IW Society for the Blind	25.1%	29.2%	33.3%
Isle of Wight Rural Community Council	25.1%	29.2%	33.3%

- 15 An analysis of Schroder market value at 31 March 2009 by industrial sector can be found in the Pension Fund Annual Report and Accounts.

Market Value and Management of Assets	2008-09		2007-08	
	£000	%	£000	%
Schroder Investment Management	205,409	98.4	245,865	95.98
JP Morgan Custodian (Cash)	3,325	1.6	10,925	4.12

16 Related Party Transactions

No Members or Chief Officers have disclosed any Related Party Transactions with the Pension Fund, other than by virtue of normal membership. During the financial year, the Pension Fund had an average balance of £0.3 million of excess cash invested with the Isle of Wight Council and the Pension Fund received £0.01 million as interest on this investment.

The Isle of Wight Council provided an administration service to the Pension Fund in the year for which the fund paid a sum of £0.42 million. This sum is analysed at note 6. Council members named in note 23 form the pension fund committee as trustees.

17 Contingencies

17.1 At 31 March 2009 there were contingencies relating to Contribution Equivalent Premiums (CEP's) amounting to a net sum of £0.142 million due to the Pension Fund. Assets amounted to £0.046 million and Liabilities totalled £0.188 million. The sums do not form part of the net assets of the fund. Refunds and payments will only be made on application by the employee.

17.2 In 2006 a decision was taken by the Investment Panel to join in a Class Action against the HMRC to recover tax credits on overseas dividends. A sum of £0.880 million has been estimated as the possible Benefit to the pension fund. This case is ongoing. The sums do not form part of the net assets of the fund.

18 The Statement of Investment Principles of the Isle of Wight Council Pension Fund is published in the Pension Fund Annual Report and Accounts.

19 The Funding Strategy Statement of the Isle of Wight Council Pension Fund is published in the Pension Fund Annual Report and Accounts.

20 Notes to the Accounts

20.1 Capital Commitments: - There were no capital commitments as at 31 March 2009.

20.2 Investments Transaction Costs

Transaction costs payable by the pension fund investment manager to brokers in 2008-09

Purchases	£310,069
Sales	£88,898
Total	£398,967

20.3 Post Balance Sheet Events

There are no post balance sheet events

21 Additional Voluntary Contributions (AVCs)

These are separately invested for the benefit of individual members.

Money purchase assets are allocated to provide benefits to individuals on whose behalf the contributions were paid, and in total £1.1million were invested on this basis at 31st March 2009; these do not form a common pool of assets available for members generally. AVC's are excluded from the Fund Accounts in accordance with Regulation 5(2)(c) of the Pension Scheme (Management and Investments of Funds) Regulations 1998. Members receive an annual statement confirming the contributions paid on their behalf and the value of their money purchase rights.

The Contributions can be made via the Isle of Wight Council to Prudential Life and Pensions to purchase enhanced pension benefits and in the case of the Prudential, term life cover.

During 2008-09 AVC's of £0.1million were separately invested with Prudential Life and Pensions. Of this amount, £0.004 million was for the purchase of death in service cover, no value accrues on death cover; this sum is not included in the statement below.

	Prudential Deposit £000's	Prudential with Profits £000's	Prudential Discretionary £000's	Total £000's
Opening Value 1.4.08	132	810	142	1,084
Purchase of Investments	17	82	9	108
Returns on Investments	10	41	(31)	20
Change in Market Value Realised and Unrealised	(48)	(77)	(10)	(135)
Closing Value 31.3.09	111	856	110	1,077

22 Analysis of market value under the management of Schroder Investment Management (UK) Ltd at 31 March 2009:-

	UK £000's	Foreign £000's	Total £000's
Listed	145,244	59,840	205,084
Unlisted	323	0	323
Total	145,567	59,840	205,407

Notional value of futures included in above

	UK £000's	Foreign £000's	Total £000's
LIF FTSE 100 Index Future June 2009		(543)	(543)

The pension fund investment panel agreed in February 2006 to allow the investment manager to use futures and foreign exchange contracts to implement asset allocation changes.

Futures are used to reduce the transaction costs involved in allocating monies between asset classes, allowing asset allocation policy changes to be implemented more rapidly, enabling more precise management of views, preventing the need to make forced purchase or sales of individual stocks at inopportune times and managing cashflows more effectively

Analysis of Market value at 31 March 2009 can be found in the Pension Fund Annual Report and Accounts.

Provided below is a list of the investments at 31 March 2009 which each exceeded 5% of the total market value of the fund:-

Stock	Value £000	%	
Schroder All Maturities Corporate Bond Fund 'X' Acc	27,002	12.88	
SGST Schroder North America Equity Fund – Investor Shares	23,699	11.31	
Schroder Exempt Property Units Trust	10,933	5.22	
	31 March 2009	31 March 2008	% Change
FT Actuaries – All Share Index	1984.20	2927.05	-32.22

23. Trustees Report

Trustees Report 2008-09

The Trustees of the Pension Fund are the members for the time being of the Pension Fund Committee, who at 31st March 2009 was comprised of Councillors Miss Humby, Mrs Wood, West, Abraham, Fitzgerald-Bond, Brown, and the Director of Resources. In addition a non voting representative of both the admitted bodies and staff union attend the investment panel meetings.

Investment Performance

The net assets of the fund at 31st March 2009 were £210.0 million, a fall of 18.6% on the 31st March 2008 valuation of £257.9 million. This reflects the global economic situation and fall in market values.

In terms of the performance of the Fund's investment managers, they are measured by reference to a specific benchmark with the objective being to outperform the benchmark by 1% per annum over rolling three year periods. During 2008-09 the Fund's current manager outperformed the 12 month benchmark by 2.3%. In three years, the Fund returned -5.3% p.a. against the -6.5% p.a. benchmark return, and in the five years the Fund and benchmark returned 3.8% p.a. and 3.0% p.a. respectively.

The Committee had already initiated a review of the Fund's manager structure and had resolved to re-let the contracts for managing the Fund. At the same time the decision was taken to divide the Fund between different managers who, it was considered, would have expertise in particular asset classes. The process for appointing new managers, which has required an OJEU procedure to be followed, is now nearing completion and has resulted in 2 new managers being appointed, but with the existing manager also being retained to manage some of the portfolio.

Funding Level

The funds most recent triennial actuarial valuation was undertaken by its independent actuarial advisors and based on the position as at 31 March 2007.

The latest assessment undertaken by the actuarial advisors shows that the ratio of assets to the liabilities of the Fund equated to 55% at 31 March 2009 compared to the assessment at 31 March 2008 of 69%. The next triennial valuation will be made at 31 March 2010 and its results, in terms of revised contribution rates, will be implemented with effect from April 2011.

Pooling Arrangements

Whilst the vast majority of the Fund's pensioners and contributors were formerly or are employed by the Isle of Wight Council, there are a number of local organisations which are admitted bodies to the Fund. In the past, these have been grouped together or 'pooled' for the purposes of calculating a contribution rate. During 2008-09, three of the admitted bodies requested that they should no longer be considered with others in a pool, but should be considered as separate employers for the purposes of contribution rates.

Governance

The Committee has reviewed its governance arrangements in accordance with the Local Government Pension scheme Regulations 2008 and its predecessor, regulation 73A of the Local Government Pension Scheme Regulations 1997. As a result, the Committee has resolved to extend its terms of reference so that they now encompass wider scheme issues within the Committee's governance arrangements.

Independent auditor's report to the Members of Isle of Wight Council

Opinion on the accounting statements

I have audited the Authority accounting statements, the firefighters' pension fund accounting statements, and related notes of Isle of Wight Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and the firefighters' pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Isle of Wight Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources' responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements and local government pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority accounting statements and the firefighters' pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and the firefighters' pension fund accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year;
- the financial transactions of the firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited Authority accounting statements, firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements, firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements, firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements, firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements, firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements, firefighters' pension fund accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the firefighters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Isle of Wight Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources' responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities and fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities and fire and rescue authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, Isle of Wight Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

K L Handy

Kate Handy
District Auditor
Audit Commission
Collins House
Bishopstoke Road
Eastleigh
SO50 6AD

29 September 2009