

Statement of Accounts 2005/2006

Subject to Audit

Improving North Wiltshire

NORTH WILTSHIRE DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

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I certify that the accounts set out on pages 2 to 27 present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2006

Council Leader

Dated

Chief Accountant & Deputy CFO

Dated

EXPLANATORY FOREWORD

1. INTRODUCTION

The purpose of the Statement of Accounts is to give electors, local taxpayers, Members of the authority, and other interested parties, clear information about the Council's finances.

2. EXPLANATION OF THE ACCOUNTS IN THIS DOCUMENT

This Statement of Accounts includes the following statements:

Consolidated Revenue Account:	Outlines the expenditure, income and net cost for the year of all the Council's activities and demonstrates how that cost has been financed from general government grants and income from local taxpayers.
Consolidated Balance Sheet:	Summarises the overall financial position of all the Council at 31st March 2006, showing its assets, liabilities and reserves.
Collection Fund:	Covers all transactions in relation to collection of Council Tax and National Non-Domestic Rates and shows how the amounts collected have been distributed.
Cash Flow Statement:	Records the movement of cash into and out of the Council arising from transactions with other people.
Statement of Movement in Reserves:	Measures the changes in the Council's reserves over the year.

The Council in 2005/06

The Council's work was guided by its corporate plan and community strategy. These in turn link to a longer term plan the 'Vision for 2020' which was developed in consultation with local people. The corporate plan set out the priorities for the year.

Highlights of the achievements in relation to the different corporate plan priorities included :

* Equality and Diversity : The Council achieved level 1 of the Local Government Equality Standard. It adopted an equality and diversity policy and action plan and completed an equality impact assessment on key service areas.

* Minimise Waste- Maximise Recycling: Kerbside collection facilities were extended to 95% of households in the District. The national target of 18% of waste being recycled was met.

* Housing needs : 143 new affordable homes were completed by Council funded schemes, exceeding the target of 100 new homes each year. The new Housing Strategy was produced and deemed 'fit for purpose' by the Government Office for the South West. The average length of stay for homeless families in bed and breakfast accommodation was reduced to 2 weeks in 2005/06 (4 weeks in 2004/05).

* Buoyant Economy : The Chippenham TIC was devolved to the town council from 1st April 2005, and Malmesbury town hall was also transferred the local town council with effect from April 2006. The Council agreed and received a deposit for the sale of the Chippenham Livestock market site.

* Healthy Lifestyles : The Council ran a successful annual Youth Games. The scheme for the Pound Arts centre was approved and work has now commenced on site.

* Car Parks : Revised car parking charges were introduced across the district and adjusted in the light of community consultation. The Council is working with Wiltshire CC to implement phase 1 of a 'decriminalised' approach to enforcing on- street parking.

* Customer Focus : Customer relationship (CRM) software was introduced to the front of house and call centre, to improve customer service. The Council has implemented virtually all ODPM priority outcomes for E-Government and over 99% of services are e-enabled.

* Spatial Planning : The Local Plan 2011 Inquiry was completed. The Local development scheme and Statement of community involvement were completed.

* Cleaner, Better, Safer Streets : Streetscene improvements were implemented in Corsham and Calne. An anti-social behavior reduction protocol for North Wiltshire was produced.

* Partnership Working : The North Wiltshire Community Strategy and Community plans for all five community areas were produced.

Future Developments

During 2005 the Council appointed a new Chief Executive, Delwyn Burbidge who was asked to review the organisation and identify what it needed to improve. His recommendations which include an amended budget and policy framework and reviewing key roles in the organisation, will be implemented in 2006/07.

At its meeting in February 2006, the Council updated its corporate plan priorities for 2006/09. Further information on these can be viewed on the Council's web site.

EXPLANATORY FOREWORD

The Council's Finances

The Council's revenue position for the year is summarised below :

	2005/06	2004/05
	£'000	£'000
Net Expenditure on Services	12,806	11,570
Parishes	3,610	3,352
Net Revenue Expenditure	16,416	14,922
Government Grant	6,924	6,557
Council Tax	9,348	8,728
Net Surplus/ Deficit	144	(363)

Overall net expenditure for the year, including parish precepts, was £16.416 million which was a small deficit but below the original and revised budgets. This outturn reflected higher income in Planning and from investment interest, underspend in Corporate Services and other business areas, partly offset by a small overspend in Customer Services.

Capital expenditure totalled £7.17million which was the highest level since 2001/02. The most significant items within the programme were affordable Housing schemes (£3.56 million), Housing Renewal Grants (£0.76m) and Implementing E-Government schemes (£0.47 m).

Budget for 2006/07

The Council set a budget which invested in priority services whilst resulting in a Council Tax increase of 3.4 %. This was the lowest increase of all the Wiltshire districts. The budget was set with reference to the medium term financial plan which makes financial projections over a three year period.

The Council's capital programme for 2006/07 includes new schemes of £5.87 million and prior years schemes brought forward, making an overall programme totalling £8.73 million. There are adequate resources to fund the programme from a number of sources including capital receipts and Government grants.

P. Tovey CPFA
Chief Accountant & Deputy Section 151 Officer
16 June 2006

1. GENERAL

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2005: A Statement of Recommended Practice' (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Local authorities derive their powers from statute and their financial and accounting framework is directed by primary and secondary legislation. To the extent that treatments are prescribed by law, the accounting concepts outlined below may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

The Council has adopted a historical costs basis, modified by the revaluation of land and buildings, for the presentation of its accounts.

2. CHANGES IN ESTIMATION TECHNIQUES

A small number of the estimation techniques used in compiling the accounts have been changed in 2005/06. The balance of Planning Development grant (PDG) not transferred to revenue is now shown as an earmarked reserve, where it was previously treated as a 'receipt in advance'.

In addition notional interest is now charged at 4.85% (previously 4.625%) on assets held at historic cost, in keeping with the current LAAP guidance.

3. ACCOUNTING POLICIES

Reserves and Provisions

The Council maintains some reserves held for a specific policy purpose (Earmarked Reserves) and others to cover contingencies and meet general future expenditure (for example the General Fund balance). Reserves and Provisions are accounted for in accordance with the Code and with FRS12.

Further information on the more significant reserves is given in the Notes to the Balance sheet.

Fixed Assets - Revaluation & Disposal

All fixed assets are revalued every three years on a rolling programme basis. The revaluations are conducted by a firm of Chartered Surveyors, Humberts who follow the relevant RICS guidelines.

The main revaluation bases are:

- * Non- specialised operational properties are valued on Existing Use Value.
- * Specialised operational properties are valued based on Depreciated Replacement cost.
- * Investment and surplus properties are valued at Open Market Value.

Any increases in the valuation of fixed assets are credited to the Fixed Asset Restatement account.

Income from the disposal of fixed assets is credited to the Unapplied Capital Receipts reserve. Upon disposal, the net book value of the asset is written off against the Fixed Asset Restatement account.

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets

All material expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. Expenditure which adds to the value of an existing asset is classified as a fixed asset provided it yields on going benefits to the Council and its services. Fixed assets are initially measured at their cost.

Fixed assets are included in the balance sheet according to their classification:

Operational land and properties are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.

Non-operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value.

Infrastructure and community assets are included in the balance sheet at historic cost.

Short lived assets like vehicles and equipment are carried at historic cost as a proxy for current costs.

Assets included in the balance sheet at current value are subject to a rolling programme that ensures that they are formally revalued at intervals of not more than 3 years. The value at which each category of asset is included in the balance sheet has been reviewed to identify any impairment to the value resulting from external factors.

For all assets there is a charge to the services to reflect its usage. The charge consists of depreciation and an element of notional interest. In these accounts depreciation is calculated as a straight-line value over the expected life of the individual asset, varying from 3 years for IT equipment to 60 years for buildings.

The notional interest charge is based on the asset value shown in the balance sheet at the start of the year. The rates used are determined nationally to reflect the cost of capital tied up in the asset. For 2005/06 the rates are 3.5% for assets valued at current valuations, and 4.85 % for assets held at historic cost.

Upon the disposal of a fixed asset, its net book value is written out of the balance sheet.

Deferred Charges

Where payments of a capital nature are made but the Council does not benefit from the asset created or enhanced, a deferred charge results. In these accounts they represent:

Improvement and disabled facilities grants made to effect capital improvements to private dwellings

Affordable housing grant and other grants to third parties.

Deferred charges are written off in the year in which they occur to the appropriate service account.

Capital Receipts

Capital receipts from the disposal of assets are held in the capital receipts unapplied account until such time as they are used to finance capital expenditure.

As part of the agreement for the Housing stock transfer, the Council gains a portion of the receipt arising when former Council house tenants buy their property under Right to Buy legislation. The amount due the the Council for sales in 2005/06 is included as a debtor within the balance sheet.

Grants Receivable

Revenue grants are credited to the appropriate accounts and accruals are made where the grant due for the year is not received by 31st March. The balance of Planning Development grant (PDG) received but not credited to the revenue accounts is held as an earmarked reserve.

Grants for capital expenditure are credited to a 'Deferred Grants' account and written off over the estimated useful life of the asset to which they relate, to match the depreciation charge.

Interest

Interest payable on temporary borrowing and received on investments is accounted for according to the period to which it relates.

Borrowing

The Council had only temporary borrowing at the balance sheet date, hence there is no charge to revenue accounts for the costs of borrowing.

Leases

The Council holds leases for cars provided to some employees. The leases are not shown on the balance sheet, yet lease rentals are charged to the service revenue account.

Long term contracts

The Council's Monkton Park offices were built in 2001 under the Private Finance Initiative (PFI) by a private sector partner who will manage the building for 25 years, after which ownership will transfer to the Council. The Council's payment for the use of the offices takes the form of a unitary charge payable monthly.

Although the private sector partner owns the building, the Council is deemed to have an interest in the property and consequently it appears in the balance sheet at a valuation of £9.716 million. There is also a long-term creditor representing the commitment to make the unitary payment for the remaining term of the contract. The balance for this item as at 31 March 2006 has reduced to £9.308 million, reflecting the repayment of principal element of the unitary charge.

As part of the PFI contract for the new offices the Council transferred ownership of three offices to its private sector partner at a valuation of £1.05 million. This has been treated in the accounts as an up front payment of unitary charge and hence a long term debtor, which will be amortised over the 25 years of the PFI contract.

The unitary charge under the PFI contract is partially offset by a special Revenue Support Grant amounting to £727,000 in 2005/06. The grant is credited to the AMRA account and thereby reduces the net operating cost shown in the revenue account.

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis, ensuring that sums due to or from the Council during the year are included in the accounts whether or not the cash has actually been received or paid in the year. Where the amounts concerned are uncertain, best estimates are made.

The sums included in the Accounts for some significant Government grants, notably Housing Benefit subsidy, have been estimated based on pre- audited grant returns.

Stocks and work in progress

Stocks are valued at cost price. This is a departure from SSAP9, which requires stocks to be shown at actual costs or net realisable value, however the effect of this treatment is not material.

STATEMENT OF ACCOUNTING POLICIES

Overheads

The costs of support services are charged to service revenue accounts, in accordance with the 'Best Value Accounting Code of Practice' published by CIPFA. The basis used is an estimate of the work done by support service teams.

Services are also charged for significant property costs - of the Monkton Park offices and the depot - pro rata to the area they occupy.

Pensions Costs - FRS17

The Accounts are compiled in line with the requirements of the FRS17 standard on accounting for pensions costs, which is now adopted within the SORP. In essence FRS 17 accounts for the liability to meet future retirement benefit costs when these are earned, and also recognises the future value of the pension fund's investments.

The Council contributes to the Wiltshire County Council Pension Fund - part of the Local Government Pension Scheme - which is a defined benefit scheme.

The current service pensions costs are included within Net Cost of Services.

The net of the interest cost and the expected return on assets is included within Net Operating Expenditure.

Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Movements in Reserves for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. Where the benefits vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions are measured at the date on which the authority becomes demonstrably committed to the transaction and recognised in Net Cost of Services at that date.

With effect from the 2004/05 Accounts, the Pension Fund's actuaries used the AA Corporate Bond rate (formerly the GAD rate) for Pension liabilities. This increased the projected deficit on the fund in that year (see Balance sheet Note 15).

Investments

Investments are shown in the Consolidated Balance Sheet at the lower of cost and current market value.

CONSOLIDATED REVENUE ACCOUNT

Consolidated Revenue Account for the year ended 31st March 2006					
2004/2005			2005/06		
Net Expenditure £000's		Note	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
821	Central Services to the Public		6,356	5,777	579
4,147	Cultural, Environment & Planning - Cultural & Related Services		4,183	319	3,864
4,291	Environmental Services		5,295	1,021	4,274
2,656	Planning & Development Services		5,413	1,907	3,506
249	Highways, Roads & Transport Services		1,050	760	290
2,516	Housing Services		23,341	16,635	6,706
2,484	Corporate and Democratic Core		2,272	87	2,185
426	Non-distributed costs		470		470
17,590	Net Cost of Services		48,380	26,506	21,874
3,352	Precepts paid to Parish Councils		3,610		3,610
574	Deficit from trading undertakings	15	1,440	1,079	361
(3,086)	Asset Management Revenue Account	1	643	3,528	(2,885)
(1,440)	Interest and investment income			1,617	(1,617)
380	Pension interest cost and expected return on pensions assets	6	2,817	2,187	630
17,370	Net operating expenditure				21,973
668	Contributions to/(from) revenue reserves	9	715		715
(235)	Contributions to/(from) capital reserves	9		176	(176)
(2,692)	Appropriation from capital financing reserve			5,991	(5,991)
(190)	Contributions to/(from) pensions reserve	9		105	(105)
14,922	Amounts to be met from Government Grants and Local Taxation				16,416
(8,812)	Demand on Collection Fund	2		9,348	(9,348)
84	Contribution to previous year's Collection Fund Deficit			0	0
(3,121)	Revenue Support Grant			3,243	(3,243)
(3,436)	Distribution from Non-Domestic Rating Pool			3,681	(3,681)
(363)	(Surplus)/deficit for year				144
(4,904)	Balance Brought Forward				(5,272)
(368)	(Surplus)/deficit for year				144
(5,272)	Balance Carried Forward				(5,128)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

1. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account meets the interest costs incurred on borrowings and depreciation of fixed assets. It receives income from charges to service accounts for use of fixed assets and the special grant towards the cost of the offices provided under the PFI scheme.

An analysis of the transactions for 2005/2006 is as follows:

	2005/06 £000's	2004/05 £000's
Expenditure		
External interest	642	642
Depreciation	1,347	1,369
	1,989	2,011
Income		
Asset charges	(4,146)	(4,187)
Revenue Support Grant for PFI scheme	(728)	(910)
Deferred Grants		
Net surplus	(2,885)	(3,086)

2. DEMAND ON COLLECTION FUND

The Council's demand on the Collection Fund for was £9.348 million (£8.812m in 2004/05) which included £3.610 million in respect of parish councils' precepts.

3. PUBLICITY

In the 2005/06 financial year the Council's spending on publicity, as defined by the relevant Regulations, was :

	2005/06 £000's	2004/05 £000's
Recruitment advertising	65	67
Other advertising	84	86
Marketing	6	12
Publicity	13	26
Promotional activities	38	122
Total Advertising	206	313

4. SECTION 137 EXPENDITURE

The Local Government Act 2000 has granted wide powers to local authorities to promote economic, social and environmental well-being in their area. As a result the Council has made no use of the provision under Section 137 of the 1972 Act.

5. AGENCY SERVICES

The Council carries out maintenance of grass verges on an agency basis for Wiltshire County Council, for which it is reimbursed. The income from this service in 2005/06 was £95,970 (2004/05 £93,630).

6. PENSIONS

The authority provides retirement benefits as part of its terms and conditions of employment. Whilst these benefits are not payable until the employees retire, the FRS17 accounting standard requires that the commitment to make future pensions payments is recognised.

The authority participates in the Local Government Pension scheme via the Wiltshire County Council Pension Fund. This is a funded scheme hence the authority and its employees pay contributions into the fund which are calculated at a level intended to balance the future pensions liabilities with the Fund's income. Following the recent actuarial review of the Fund, the Council's (ie. the employers) pension contribution rate increased in 2005/06.

The following transactions have been made in the revenue accounts :

2004/05 £'000		2005/06 £'000
	<u>Net cost of Services</u>	
(354)	Current Service Costs	(449)
(216)	Past service Costs	(76)
	<u>Net Operating Expenditure</u>	
2,380	Pensions Liability Interest Cost	2,817
(2,000)	Expected return on Assets	(2,187)
(190)	Movement in the Pensions Reserve	(105)

The credit from the Pensions Reserve account to revenue offsets the difference between FRS17 accounting entries and the employers contributions incurred. This appropriation ensures the Council's net expenditure and hence the amount charged to Council taxpayers is based on the pensions contribution payable.

The employers contributions paid by the Council to the Wiltshire County Council Pension Fund amounted to £2.35 million in 2005/06 (£1.81m in 2004/05). This was £1.765 m for employer contributions and £0.58m of additional contributions.

Additional information on pension costs, assets and liabilities are included in the Notes to the Consolidated Balance Sheet. A copy of the Pension Fund's annual report and accounts is available from the County Treasurer, Wiltshire CC, Trowbridge.

7. PRIVATE FINANCE INITIATIVE (PFI)

The Council's new offices were provided under a PFI contract and a long-term creditor has been recorded in the Balance Sheet to recognise the obligation to pay for the building over 25 years. The payments under the unitary charge over the remaining years of the contract are assessed as follows:

Period	£000's
Within 1 Year	1,597
Years 2-5	8,467
Years 6-10	9,828
Years 11-15	11,393
Years 16-20	13,207
Over 20 years	1,923

In 2005/06 the unitary charge amounted to £1.583 million (£1.517m in 2004/05) which was funded in part by a specific Revenue Support Grant of £727,530. The unitary charge increases over the life of the contract in line with the retail prices index, whilst the grant is now a fixed sum for the contract term.

A reserve was set up to smooth the net increase in charges to service revenue accounts over the contract term . The contribution to this reserve for 2005/06 was £66,570.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

8. LEASING

The Council leases cars for some of its employees under three year operating leases. Some of the costs are recovered from the employees. The obligations to the leasing companies are as follows

	2005/06	2004/05
	£000's	£000's
Paid to lessors	187	144
Due within 1 year	115	74
Due in subsequent years	86	41
Recoverable from employees	49	46

There were no other operating leases or finance leases in the year.

9. TRANSFERS TO/FROM RESERVES

The analysis of transfers to and from reserves is as follows:

	Revenue Reserves £000's	Capital Reserves £000's	Pensions Reserve £000's	2005/2006 Total £000's
Contributions to reserves:				
Planned Maintenance	40			40
Offices Equalisation	67			67
Equipment Fund	458			458
District Election	150			150
Contributions from reserves:				
Capital Financing		176		176
Capital Financing - Offset		1,347		1,347
Depreciation Charge				
Pensions			(105)	(105)
Total for 2005/2006	715	1,523	(105)	2,133
Total for 2004/2005	667	(2,927)	(190)	(2,450)

10. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council provides health and safety advisory services and grounds maintenance services to local parishes in the area under section 1 of this Act. The income from these was £1,000 and £3,755 respectively in 2005/06 (£1,000 and £3,600 in 2004/05).

11. OFFICERS' EMOLUMENTS

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

Emoluments	2005/06	2004/05
Number of Employees in the year		
£50,000 to £59,999	1	0
£60,000 to £69,999	4	4
£70,000 to £79,999	0	0
£80,000 to £89,999	0	0
£90,000 to £99,999	0	1

12. MEMBERS' ALLOWANCES

The total of Members' allowances amount paid for the year was £280,000 (£275,000 in 2004/05) analysed as follows:-

Members' Allowances	2005/06 £000's	2004/05 £000's
Basic Allowance	189	188
Special Responsibility Allowance	91	87
Total	280	275

13. RELATED PARTY TRANSACTIONS

Specific and non-specific government grants is the major source of the Council's funding. Further information on grant funding is given in the Cashflow Statement.

Wiltshire County Pension Fund - details of contributions to the County pension fund is shown elsewhere in these Accounts (see Note 6 above).

Public Bodies - the Council made payments of £814,876 to Westlea Housing Association, where two Councillors are Board members. In addition the Council paid £1,148,000 in fees and maintenance and other contributions to North Wiltshire Leisure Limited (two Councillors are board members).

Councillors - The Council made purchases to the value of £16,509 from companies in which two Members have a beneficial interest. No single transaction was for a material sum.

14. BUILDING CONTROL TRADING ACCOUNT

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

Building Regulations Trading Account 2005/06				
Total Chargeable & Non-Charged 2004/05		Chargeable 2005/06	Non-Chargeable 2005/06	Total 2005/06
£000's		£000's	£000's	£000's
(485)	Turnover	(477)	0	(477)
715	Operating costs	453	292	745
230	Deficit for year	(24)	292	268

15. TRADING SERVICES

The Council operates town centre and other commercial premises on a trading basis. In 2005/06 performance was as follows :

2004/05		2005/06
(1,179)	Turnover	(1,079)
705	Running Costs	641
1047	Capital Financing Charges	799
574	Net Deficit	361

16. AUDIT FEES

Fees payable to the Audit Commission for services carried out by the appointed auditor for 2005/06 totalled £123,341 (2004/05 £155,280).

The analysis of fees paid for 2005/06 is as follows:
with regard to external audit £93,331.
for the certification of grant claims and returns £30,010.

CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet as at 31st March 2006				
31/03/2005 £000's		Note	31/03/2006	
			£000's	£000's
	Operational Assets			
37,761	Land and Buildings	1	36,930	
2,601	Vehicles, Plant, Furniture, and Equipment	1	3,348	
4,217	Infrastructure assets	1	4,402	
3,412	Community assets	1	3,931	
47,991				48,611
32,418	Non-Operational Assets	1		30,023
80,409	TOTAL FIXED ASSETS	1-8,18		78,634
	Long-Term Assets			
4,146	Long-Term Debtors	9		2,530
84,555	TOTAL LONG-TERM ASSETS			81,164
	Current Assets			
53	Stocks		48	
22,776	Investments	17	23,922	
7,403	Debtors	11	9,909	
(1,723)	Less: Provision for Bad Debts	13	(1,761)	
522	New Offices' Sinking Fund		694	
97	Cash in Hand		207	
				33,019
	Current Liabilities			
(4,175)	Creditors	12	(2,705)	
0	Borrowing		(1,250)	
(895)	Cash Overdrawn		(1,112)	
				(5,067)
108,613				109,116
(9,503)	Long-term Creditors	16	(9,310)	
(20,680)	Pensions liability	15	(21,906)	
(4,026)	Grants Deferred		(4,026)	
(590)	Deferred Capital Receipts		(574)	
				(35,816)
73,814	TOTAL ASSETS LESS LIABILITIES			73,300
	Financed by:			
(2,804)	Fixed Asset Restatement Account		(5,834)	
71,558	Capital Financing Account		71,317	
15,711	Useable Capital Receipts Reserve		17,217	
(20,680)	Pensions Reserve		(21,906)	
				60,794
	Fund balances and Reserves			
3,932	Earmarked Reserves	14	5,622	
5,267	General Fund		5,128	
830	Collection Fund		1,756	
				12,506
73,814	TOTAL EQUITY			73,300

1. FIXED ASSETS: CAPITAL EXPENDITURE & DISPOSALS IN THE YEAR

	Land & Buildings	Vehicles Plant & Equipment	Infra- structure Assets	Community Assets	Non- Operational Assets	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's
Gross cost/value	38,397	3,217	4,291	3,455	32,418	81,778
Less: Depreciation to 31/3/05	(636)	(616)	(74)	(43)	0	(1,369)
Book value as at 1/4/05	37,761	2,601	4,217	3,412	32,418	80,409
Acquisition and enhancement	476	1,329	259	518	20	2,602
Disposals				(44)	(4,430)	(4,474)
Revaluation	686			108	2,265	3,059
Impairment	(1,346)			(20)	(250)	(1,616)
Depreciation for year	(647)	(582)	(74)	(43)	0	(1,346)
Book value as at 31/3/06	36,930	3,348	4,402	3,931	30,023	78,634

2. FUNDING OF CAPITAL EXPENDITURE

Total capital expenditure for 2005/2006 amounted to £7.279 million, analysed as £2.634 million on fixed assets and £4.645 million deferred charges. The sources of funding of this expenditure are outlined below:

	2005/06 £000's	2004/05 £000's
Capital Receipts	6,047	2,365
Capital Grants	325	520
Third Party Contributions	355	82
	6,727	2,967
Equipment Fund	552	321
Total Funding	7,279	3,288

3. DEFERRED CHARGES

The movement in deferred charges in the year was as follows:

	Balance as at 01/04/2005	Spending in the year	Written off in the year	Balance as at 31/03/2006
	£000's	£000's	£000's	£000's
Housing Grants	0	4,326	(4,326)	0
Other Grants	0	319	(319)	0
				0
Total Deferred Charges	0	4,645	(4,645)	0

NOTES TO CONSOLIDATED BALANCE SHEET

4. FIXED ASSET REVALUATION

The Council revalues all of its assets over a 3 year cycle. During 2005/2006, Gerald Harford, FRICS of Chartered Surveyors Humberts, re-valued the second tranche of properties which were first valued during 2002/2003. The valuation was prepared in accordance with the Practice Statements from the RICS Appraisal and Valuation manual with particular reference to Guidance Note II (The Valuation of Local Authority Assets for Financial Statements).

The basis for the valuation of assets is as follows:

Land and Buildings

Open Market Value in existing use (where a market existed)

Depreciated Replacement cost (where no alternative market existed)

Infrastructure and Community Assets: Historic cost.

Vehicles, Plant and Equipment: Purchase price less depreciation.

Non-Operational Assets: Open Market Value.

5. INFORMATION ON NUMBER OF ASSETS HELD

The main assets of the Council are:

	At 31/3/06	At 31/3/05
District Council Central Office	1	1
Depots	2	2
Public Conveniences & Sewage Treatment Works	23	23
Halls and other operational assets	8	8
Community assets (parks, cycle routes, open spaces)	13	12
Development & investment property (sites)	38	45
Off Street Car Parks	15	18
Leisure Centres	7	7
Other assets including assets under construction	0	0

6. SIGNIFICANT CONTRACTS COMMITTED

The Council had no significant contractual commitments as at 31 March 2006. However a letter of intent had been issued in respect of the development of the North Wilts Art Centre which has a capital budget of c. £1.2million.

7. DEPRECIATION

All assets within these accounts have been depreciated on a straight-line basis, taking into account expected useful lives and residual values. The useful lives of assets are estimated on a realistic basis, they are reviewed regularly and, where necessary, revised. Where the useful life of a fixed asset is revised, the carrying amount of the fixed asset is depreciated over the revised remaining useful life.

Depreciation is charged on each category of assets, in accordance with the table below, although individual assets may be treated differently where appropriate:

Category	Period of depreciation
Operational Assets	
Land and Buildings	60 years
Vehicles, Plant, Furniture, and Equipment	5 years
Infrastructure assets	60 years
Community assets	Historic cost, no depreciation
Non-operational Assets	Market value, no depreciation

8. IMPAIRMENT

Impairment arises when there is reason to believe that the value of a fixed asset has changed materially within the reporting period. These changes include circumstances where there is a significant decline in an asset's market value, where there is evidence of obsolescence or physical damage or where there is an adverse change in the statutory or other regulatory environment.

The Council's operational assets are included within the balance sheet at their value based on their existing use. In some cases this is lower than the amount that could be realised if the asset were disposed of on the open market, however this does not constitute an impairment of the asset value.

9. LONG TERM DEBTORS

	At 31/3/06 £000's	At 31/3/05 £000's
Mortgages	49	66
New Offices	973	993
Loans to Other Bodies	1,412	2,975
Employee Car Loans	96	112
Total LongTerm Debtors	2,530	4,146

10. INSURANCE FUND

The Council's Insurance fund exists to meet the costs of claims which either fall below the policy excesses or outside of the existing policy cover. Service revenue accounts make contributions to the fund, based on their estimated share of insurance premiums. At the year end, the balance on the fund stood at £236,927 (see Note 14).

11. DEBTORS

	31/03/2006 £000's	31/03/2005 £000's
Government Departments	2,528	759
Other Local Authorities	72	59
Council Tax Payers	3,302	2,360
Non-Domestic Rate Payers	577	639
Westlea Housing Association - Share of RTB Receipts	765	1,236
Sundry Debtors	2,665	2,350
Total Debtors	9,909	7,403
Less Provision for bad debts	(1,761)	(1,723)
Total Net Debtors	8,148	5,680

Further information on bad debt provisions is given in Note 13 below.

NOTES TO CONSOLIDATED BALANCE SHEET

12. CREDITORS

	31/03/2006 £000's	31/03/2005 £000's
Sundry creditors	1,565	1,825
Government Departments	451	1,484
Short term deposits	14	14
Council Tax prepayments	357	248
Income Received in Advance	318	604
Total Creditors	2,705	4,175

13. PROVISIONS

The Authority held the following bad debt provisions as at 31st March 2006:

	At 31st March 2005 £000's	Movement £000's	At 31st March 2006 £000's
Council Tax	981	(64)	917
National Non Domestic Rates	224	(69)	155
Miscellaneous Sundry Debtors	518	171	689
Total Bad Debt Provisions	1,723	38	1,761

14. EARMARKED RESERVES

	At 31st March 2005 £000's	Movement £000's	At 31st March 2006 £000's
Grants and donations fund	55	(2)	53
Village halls small grants	5	0	5
Business support grants	19	(12)	7
Unrecoverable VAT	90	58	148
Hackney carriage plates	2	0	2
New offices sinking fund	540	154	694
Office Equalisation	661	67	728
S.106 Agreements	5	276	281
Malmesbury CAPS	(1)	1	0
Chippenham CAPS	3	(3)	0
Wootton Bassett CAPS	38	(38)	0
Calne HERS	(37)	22	(15)
Malmesbury HERS	7	26	33
Equipment fund	1,184	(44)	1,140
Insurance fund	333	(96)	237
Earmarked insurance fund	25	0	25
Car parking fund	43	0	43
Lottery fund	14	0	14
Rent deposits reserve	7	0	7
Planned maintenance	31	40	71
Planning Development Grant	0	574	574
District Election Reserve	0	150	150
LABGI Grant Reserve	0	472	472
Amortisation (Grounds Maintenance)	908	45	953
Total Reserves	3,932	1,690	5,622

15. DISCLOSURE OF NET PENSIONS ASSETS/LIABILITIES

The Council offers retirement benefits as part of the overall terms and conditions of employment under a defined benefits scheme. This is a funded scheme, administered by Wiltshire County Council on behalf of a range of employers and contributions are payable by both employees and employers.

The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was 31st March 2004. This resulted in the Council making increased contributions with effect from April 2005.

Liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. This assessment has been carried out by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

	At 31/03/2006 % per annum	At 31/03/2005 % per annum
Assumptions		
Price Increases (Rate of Inflation)	3.1	2.9
Rate of Salary Increases	4.6	4.4
Rate of Increases in Pensions	3.1	2.9
Rate for discounting scheme liabilities	4.9	5.4

At 31st March 2006, the Authority had the following overall assets and liabilities for pensions that have been included in the balance sheet:

Net Pension Asset as at	At 31/03/2006		31/03/2005	
	Assets £000's	Long-term Return %	Assets £000's	Long-term Return %
Assets				
Equities	28,135	7.4	21,750	7.7
Bonds	7,357	4.6	6,080	4.8
Property	3,615	5.5	2,660	5.7
Cash	737	4.6	850	4.8
Estimated Employer Assets	39,844	6.7	31,340	6.9
Present Value of Scheme Liabilities	60,646		50,960	
Present Value of Unfunded Liabilities	1,104		1,060	
Net Pensions Assets/(Liability)	(21,906)		(20,680)	

The following table shows the history of experience gains and losses:

	Year to 2006 £000's	Year to 2005 £000's
Actual less Expected Return on Employer assets	5,396	640
Value of assets	39,844	31,340
Percentage of assets	14%	2%
Experience Gains on Scheme liabilities	130	1,610
Change in Financial Assumptions for the Present		
Value of Scheme Liabilities	(6,647)	(8,130)
Present value of liabilities	61,750	52,020
Percentage of the present value of liabilities	0%	3%
Actuarial losses	(1,121)	(5,880)
Present value of liabilities	61,750	52,020
Percentage of the present value of liabilities	-2%	-11%

NOTES TO CONSOLIDATED BALANCE SHEET

16. LONG-TERM CREDITORS

	2005/06 £000's	2004/05 £000's
Monkton Park Offices PFI Project	9,310	9,502
Total Long-Term Creditors	9,310	9,502

The long-term creditor in respect of the PFI project is reducing each year by the repayment of principal element of the unitary charge. In 2005/06 the repayment amounted to £0.194 million and this will increase at the rate of 6.5% per annum. An analysis of the repayments of principal and interest over the remaining years of the PFI contract is shown in Note 7 to the Consolidated Revenue Account.

17. INVESTMENTS

The Council's investments totalled £23.922 million at 31 March 2006 (£22.77m at March 2005). Of this £20.81 million was invested via two Fund Managers, and £3.11 million invested directly in deposit bank accounts and short term loans.

18. PRIVATE FINANCE INITIATIVE

The Council's Monkton Park offices were acquired under the Private Finance Initiative. The gross value and depreciation of the asset are as follows:

	At 31/3/2006 £000's	At 31/3/2005 £000's
Gross Value	10,047	10,047
Depreciation	666	502
Net Book Value	9,381	9,545

18. CONTINGENT LIABILITIES AND ASSETS AND POST BALANCE SHEET EVENTS

Contingent liabilities and assets are those that might arise, dependent on the occurrence of a specified event, which could materially affect the Council's financial position.

The Council has provided a letter of comfort to the lessors of fitness suite equipment to North Wiltshire Leisure Limited (NWLL). In the event of NWLL being unable to meet its commitment to pay lease rentals, the Council would be liable to pay the sum outstanding. The value of the contract is estimated at £277,000 and the lease agreement ends in December 2006.

The Council's leisure provider North Wiltshire Leisure Limited, experienced financial difficulties in the final quarter of 2005/06 and these have continued into the new year. To ensure the continuation of the service, the Council made advance payments of their 2006/07 service fee in March 2006 and additional payments in April 2006. The Council has indicated that any further additional funding will be subject to NWLL's board accepting specified conditions.

19. GROUP ACCOUNTS

During 2004/05 the Council reviewed the nature of its links to associated bodies, notably the contract with North Wiltshire Leisure Limited for the operation of leisure services. The company is not considered part of the Council's group hence no further disclosure is required.

COLLECTION FUND ACCOUNT

COLLECTION FUND ACCOUNT

2004/05 £000's	Note	2005/06 £000's
	INCOME	
54,212	Income from Council Tax 1	57,264
4,506	Transfers from General Fund Council Tax Benefits	4,767
28,399	Income Collectable from Business Ratepayers 2	27,975
556	Contributions Towards previous year's collection fund deficit	0
87,673	TOTAL INCOME	90,006
	EXPENDITURE	
	Precepts and Demands 3	
40,984	Wiltshire County Council	43,136
5,801	Wiltshire Police Authority	6,169
8,812	North Wiltshire District Council	9,348
2,305	Wiltshire & Swindon Fire Authority	2,450
	Business Rates	
28,185	Payments to the National Pool	27,548
170	Cost of Collection	168
44	Interest on Repayments	261
	Bad and doubtful debts	
0	Provision for Uncollectable Amounts	0
86,301	TOTAL EXPENDITURE	89,080
(1,372)	(Surplus)/deficit for the year	(926)
542	Balance brought forward	(830)
(1,372)	(Surplus)/deficit for the year	(926)
(830)	Balance carried forward	(1,756)

NOTES TO COLLECTION FUND ACCOUNT

1. COUNCIL TAX

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

	Number of dwellings in 2005/06 (net of discounts and relief)	Ratio to Band D	No. of Band D equivalent dwellings
Band A (with Disabled Relief)	13	5/9	7
Band A	4,974	6/9	3,316
Band B	8,629	7/9	6,711
Band C	11,614	8/9	10,324
Band D	8,347	9/9	8,347
Band E	6,959	11/9	8,505
Band F	4,384	13/9	6,332
Band G	2,362	15/9	3,936
Band H	262	18/9	524
Total	47,544		
Band D equivalents			48,002
Contributions in lieu (MOD properties)			1,262
Anticipated changes in year			443
Less: Provision for non-collection (2%)			(989)
Total Band D equivalents			48,718

2. NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates are collected on behalf of the Government to be paid into a National Pool. The Collection Fund receives amounts paid by the Rate Payers in this area, and pays this amount over to the national pool net of allowable costs of collection. The total Non-Domestic Rateable value in the North Wiltshire area as at 31 March 2006 was £84.922 million (£73.805 million at March 2005). The National rate in 2005/06 set by the Government was 42.2p and 41.5p for small businesses (45.6p in 2004/05).

3. PRECEPTS AND DEMANDS

Precepts and demands made on the Collection Fund were as follows:

	2005/06 £000's	2004/05 £000's
Wiltshire County Council	43,136	40,984
Wiltshire Police Authority	6,169	5,801
Wiltshire & Swindon Fire Authority	2,450	2,305
North Wiltshire District Council	9,348	8,812
Total	61,103	57,902

As the Fund was in surplus, the precepting authorities were not required to make any contribution into the fund. Moreover the estimated surplus will be distributed to these authorities during 2006/07.

CASH FLOW STATEMENT

CASH FLOW STATEMENT			2005/06	
Note	2004/05 £000's		£000's	£000's
		Revenue Activities		
		Cash Outflow		
	(10,733)	Employees	(12,275)	
	(10,504)	Operating Cash Payments	(12,980)	
	(51,802)	Precepts Paid	(55,365)	
	(27,140)	NNDR Paid to National Pool	(29,672)	
	(15,046)	Housing Benefit Paid Out	(15,659)	
	(115,225)			(125,951)
		Cash Inflow		
	54,120	Council Tax Income	57,161	
	28,081	National Non Domestic Rate Income	32,103	
	3,436	NNDR Receipt from the National Pool	3,681	
	3,121	Revenue Support Grant	3,243	
	20,183	DWP Grant for Benefits	19,982	
4	1,748	Other Government Grants	1,581	
	7,677	Cash Received for Goods and Services	5,588	
				123,339
1	3,141	Net Cash Flow from Revenue Activities		(2,612)
		Servicing of Finance		
		Expenditure		
	(642)	Interest Paid	(643)	
		Income		
	1,440	Interest Received	1,617	
	798			974
		Capital Activities		
		Cash Outflow		
	(2,327)	Purchase/Spending on Fixed Assets	(2,634)	
	(912)	Affordable Housing and Housing Renewal Grants	(4,645)	
	(150)	Other Capital Payments	0	
		Cash Inflow		
	3,250	Sale of Fixed Assets	4,473	
	622	Capital Grants Received	382	
	269	Other Capital Income	4,024	
				8,879
	4,691	Net Cash Flow before Financing		(38)
		Management of Liquid Resources		
3	(3,583)	Net increase/(reduction) in Liquid Resources		(1,146)
		Financing		
	(1,250)	Repayments of Amounts Borrowed	0	
	0	New Short Term Loans	1,250	
				1,250
2	(142)	Increase/(reduction) in Cash		66

1. RECONCILIATION TO CONSOLIDATED REVENUE ACCOUNT

	2005/06 £000's	2004/05 £000's
Surplus/(Deficit) on General Fund	(144)	363
Surplus/(Deficit) on Collection Fund	926	1,372
	782	1,735
Non Cash Transaction reversed out		
Interest for year excluded from revenue	(974)	(797)
Movement in Provisions	38	(106)
Net Contributions to/from reserves	1,689	561
Internal transfers	(176)	235
	577	(107)
Items on an accrual basis		
Movement in Debtors	(2,506)	1,353
Movement in Stock	5	3
Movement in Creditors	(1,470)	158
	(3,971)	1,514
Net Cash Flow from Revenue Activities	(2,612)	3,142

2. MOVEMENT IN CASH

	01/04/2005 £000's	Movement £000's	31/03/2006 £000's
Cash in Hand	97	110	207
New Offices Sinking Fund	522	172	694
Cash Overdrawn	(895)	(217)	(1,112)
Total Cash	(276)	65	(211)

3. MANAGEMENT OF LIQUID ASSETS

	01/04/2005 £000's	Movement £000's	31/03/2006 £000's
Liquid Resources (Short-Term Investments)	22,776	1,146	23,922

4. ANALYSIS OF GOVERNMENT REVENUE GRANTS

	2005/06 £000's	2004/05 £000's
Housing Loan Charges Subsidy	78	97
Other Minor Grants	44	
Housing Benefits Admin. Subsidy	705	801
Planning Development Grant	586	680
NNDR Allowance for cost of collection	168	170
Total Revenue Grants	1,581	1,748

STATEMENT OF TOTAL MOVEMENT IN RESERVES

STATEMENT OF TOTAL MOVEMENT IN RESERVES					
	Fixed Asset Restatement Account	Capital Financing Account	Usable Capital Receipts	Grants Deferred Account	Pension Reserve
	£000's	£000's	£000's	£000's	£000's
CAPITAL RESERVES					
Balance at 1st April 2005	(2,804)	71,558	14,475	4,026	(20,680)
Commutation Adjustment		(176)			
Net Surplus/(Deficit) for the year					(1,226)
Unrealised gains from the revaluation of assets	1,444				
Value of assets disposed of	(4,474)				
Loan Redeemed		(1,332)			
Proceeds of disposal			9,125		
Cost of Disposal			(344)		
Grants and contributions			694		
Financing of fixed assets		7,259	(6,733)		
Depreciation		(1,347)			
Deferred charges written off		(4,645)			
Balance at 31st March 2006	(5,834)	71,317	17,217	4,026	(21,906)
		General Fund	Collection Fund	Earmarked Reserves	
		£000's	£000's	£000's	
REVENUE RESERVES					
Balance at 1st April 2005		5,272	830	3,932	
Net Surplus/(Deficit) for the year		(144)	926	1,690	
Balance at 31st March 2006		5,128	1,756	5,622	

1. GENERAL

Further details regarding the movement in reserve balances can be found elsewhere in this statement:

General Fund	See page 9
Collection Fund	See page 22
Earmarked Reserves	See page 18
Pensions Reserve	See page 19

2. FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Reserve reflects movements arising from the revaluation and disposal of fixed assets. The deficit balance results from the sale of the housing stock in 1997. The reserve is not represented by cash and therefore can not be used by the Council.

3. CAPITAL FINANCING ACCOUNT

The Capital Financing Reserve represents sums set aside to finance capital expenditure, less the amounts required to meet the depreciation costs of fixed assets and deferred charges written off. The balance includes the Provision for Credit Liabilities (detailed on page 17) part of which may be used to finance capital expenditure.

4. USABLE CAPITAL RECEIPTS

The Usable Capital Receipts Reserve represents proceeds from the disposal of assets, that have not yet been used to finance capital expenditure. The balance on this account is therefore available to the Council to finance capital expenditure in the future.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

Statement of Responsibilities for the Statement of Accounts

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 Team Leader - Finance.

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

Approve the statement of accounts

The Team Leader - Finance 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") and is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

In preparing this Statement of Accounts the Team Leader - Finance has:

Selected suitable accounting policies and applied them consistently

Made judgements and estimates that were reasonable and prudent

Complied with the Code of Practice

The Team Leader - Finance has also:

Kept proper accounting records which were up to date

Taken reasonable steps for the prevention and detection of fraud and other irregularities

STATEMENT OF INTERNAL CONTROL 2005-2006

Scope of Responsibility

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

In discharging this overall responsibility the Council is required to ensure that there is a sound system of internal control that facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

The Council should conduct a review of the effectiveness of the system of internal control at least annually. It should include a statement of internal control within its statement of accounts. The statement of internal control represents the end result of the review of internal control, including the process of risk management that should be embedded throughout the activities of the Authority.

Purpose of System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It can provide only reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks and to manage them efficiently, effectively and economically.

The system of internal control described in this statement has been in place for the year ended 31 March 2006 and up to the date of the approval of the annual accounts.

Key Elements of North Wiltshire Internal Control Environment

Establishing and monitoring the achievement of the Authority's objectives

- Aims and key priorities are set out in rolling 3 year Corporate Plan, the budget and the three year Medium Term Finance Plan.
- Business Area Plans feed from and to Corporate Plan.
- Progress against the Corporate Plan reported back to members on a quarterly basis at Overview and Scrutiny committee and the Executive.
- Individual employee workplans and appraisals ensure that the objectives are cascaded down the organisation and Progress monitored at an Individual level.
- Monthly Corporate performance monitor which is reviewed by Corporate Management Board and Executive members.
- Monitoring of strategic and operational risks through monthly performance monitoring.

The facilitation of policy and decision making

- Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. A revised version was approved by Council on 25th October 2005.
- Local Code of Corporate Governance, in accordance with CIPFA/SOLACE framework, adopted January 2005. Position reviewed annually in conjunction with preparing this statement.
- Policy and decision-making through the Executive Committee.
- Meetings open to the public except where personal and confidential matters being disclosed.
- Council publishes its Forward Plan which contains details of key decisions to be made by the Executive under its delegated powers. Overview & Scrutiny committee also publish a workplan.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Ensuring compliance with established policies, procedures, laws and regulations

- The statutory officers, the Head of Paid Service (Chief Executive), the Monitoring Officer (Legal Team Leader), Chief Finance Officer (Finance Team Leader) have key roles in monitoring and ensuring compliance with the Council's regulatory framework and law. For example, Monitoring officer has a duty to report on any actual or likely decision that would result in an unlawful act or maladministration, the s151 officer is responsible for the proper administration of the Authority's financial affairs and internal audit function.
- Whistle Blowing and Anti- Fraud and Corruption policies provide additional safeguards. These are in the process of being updated by the authority's Internal Audit manager and will be taken to members for approval in the summer.
- Compliance is monitored through staff supervision, the work of internal audit, Overview and Scrutiny Committee, external audit and inspection agencies.
- Compliance is monitored through staff supervision, the work of internal audit, Overview and Scrutiny committee, external audit and inspection agencies.
- All posts have detailed job descriptions and person specifications that include competencies. Training needs are identified through the appraisal process.
- Risk Management strategy and risk register in place. This has been reviewed and improved following input from risk management advisers from Zurich in January 2006. Members and Team leaders received risk awareness training in February and March 2006.
- Monthly Corporate performance monitor which is reviewed by Corporate Management Board and Executive members.
- The internal audit service has been brought back in-house and although 2005-06 was a transitional year, audit days have increased and there is evidence from reports that audit processes are more robust.
- External audit provides an independent appraisal function.

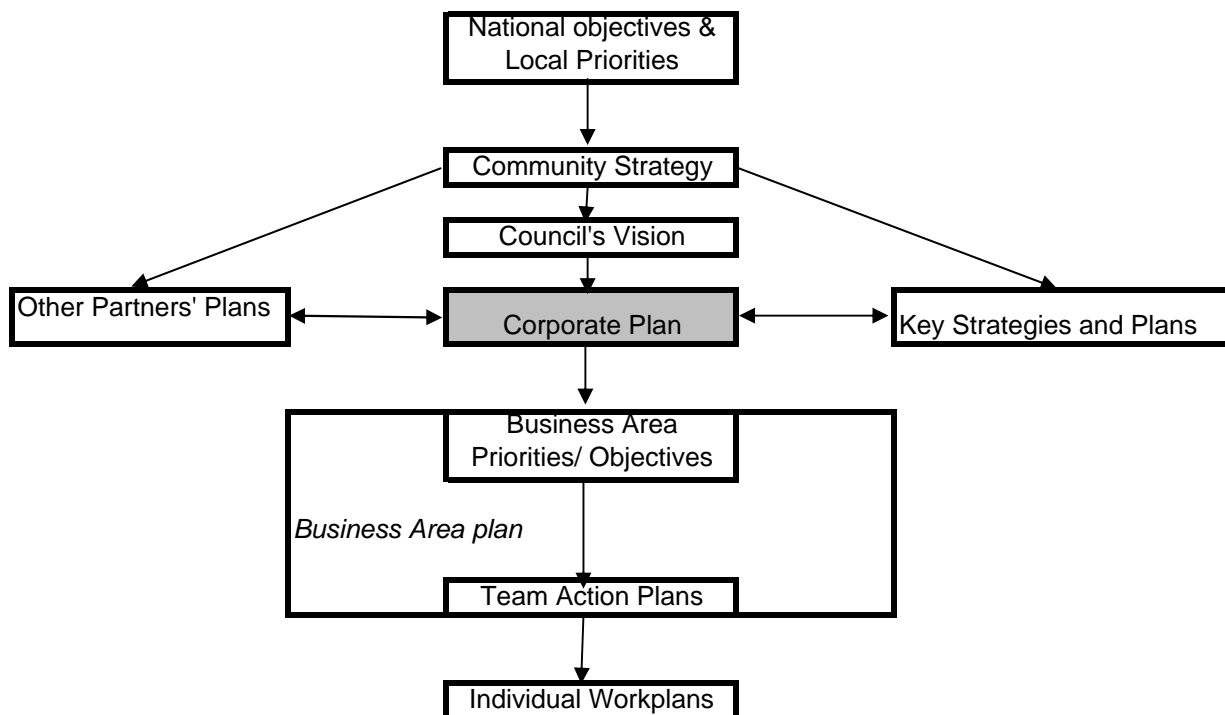
Economical, effective and efficient use of resources. Performance Management.

- Capital strategy out for consultation and on Executive agenda for May 2006.
- Comprehensive asset management plan approved by the Executive, following consideration by Overview and Scrutiny on 9th March 2006.
- Corporate property group - meets quarterly and produces regular updates on the status of projects and asset management issues.
- Monthly revenue and capital budget monitoring report produced and reviewed by Corporate Management Board and reported to Finance and Performance Monitoring Sub-Committee on a bi-monthly basis.
- Monthly Corporate performance monitor which is reviewed by Corporate Management Board and Executive members.
- Task groups are formed where members identify issues of concern e.g. public conveniences, leisure provision.
- Performance against national best value and agreed local performance indicators monitored and reported regularly to CMB and Finance and Performance Monitoring sub committee.
- Revised procurement strategy approved in November 2005. Corporate Procurement group with member champion meets regularly and monitors agreed action plan.
- Overview and Scrutiny provides a challenge mechanism.
- Clear processes for staff supervision and appraisal policies.

Financial Management

- Treasury Management Strategy Statement for 2005/06 approved by Council 26th April 2005.
- Monthly budget monitoring and reporting strengthened to include clearer commentary on variances.
- Medium Term Finance Plan is an integrated part of the annual budget process and is reported to Executive at outturn and alongside November and February budget proposals.
- Oversight role of the Finance and Performance Monitoring Sub-Committee.
- Financial Regulations reviewed and revisions approved by Council in January 2006. Now available on internal bulletin board in easily accessible summary for members and officers.
- Overall score of 'adequate' for 2005/06 in the new annual Use of Resources judgement.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL



Review of Effectiveness of Internal Control

The Council has a responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control

The 2005/06 review is informed by :-

- Internal audit work and recommendations. Against the agreed audit plan, 94% of audits were completed and 81% of audit reports were issued by the end of the year.
- External audit work. Specific work was done in relationship to developing partnership agreements. A finance workshop was run in March 2006 to evaluate levels of knowledge and potential areas for improvement.
- Risk management review undertaken by Zurich in January 2006.
- Ombudsman complaints. A regular report on complaints is considered by CMB.
- Overview & Scrutiny Committee's workplan.

Approval Process for the SIC

- Corporate Management Board review: 11th May 2006
- Executive report and decision: 15th June 2006
- Final Accounts and Audit Committee: 30th June 2006

Significant Internal Control Issues

The following significant internal control issues have been identified: -

Issue

A need to increase audit coverage to achieve requirements of Accounts and Audit Regulations 2003. Whilst improvements were made in 2005/06 this was still raised as a concern by our external auditors in the Annual Audit and Inspection letter.

Action

Coverage in 2006/07 is planned to increase by 100%. Closer working arrangements with external audit are in place and a joint working agreement will be agreed by the end of May 2006.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Issue

Poor performance on housing benefits continued through 2005/06.

Action

The 2006/07 budget approved growth to increase staffing in order to both improve the management structure and processing speeds.

BFI Improvement plan in place and integrated with Overview & Scrutiny task group recommendations

Issue

Poor performance and performance information on housing benefits.

Action

The implementation of SX 3 in March 2005 will improve processing times and enable robust performance information to be produced for 2005/06 onwards.

Issue

Annual Audit & Inspection Letter raised concerns about collection rates for Council Tax and NNDR in 2005/06. In year collection for both was below targets set and District Council Top Quartile figures.

Action

Collection rates in 2005/2006 for NNDR were up on 2004/2005. A Recovery Action Plan has been produced to improve collection rates for both Council Tax and NNDR, and performance indicators will be reported and monitored on a monthly basis.

Issue

Change control documentation to support computer programme amendments needs improvement.

Action

ITIL - (Information Technology Infrastructure Library – industry standard) protocols being introduced into the ICT Team, to improve change control.

Change Control procedure in operation within the software development area will be reviewed by Internal Audit early in 2006, and a full audit of change control will be conducted in the 3rd quarter of 2006/2007.

Issue

Although a Business Continuity Plan was approved in March 2006, the disaster recovery plan remains outstanding.

Action

Disaster Recovery Plan contract will be let by end of June 2006. Disaster Recovery Plan will be fully tested and operational by end of October 2006.

Issue

No formal Human Resources Strategy in place.

Action

Draft Human Resources Strategy produced for officer consultation in March 2006. Will go forward to Committee for approval in July 2006.

Issue

Limited evidence was identified that orders placed are recorded as committed expenditure on the Main Accounting System or alternative local monitoring system.

Action

The business case for obtaining a purchase ordering system is to be reviewed in the first half of 2006/2007.

Issue

A review of Main Accounting System user access rights identified a significant number of users who had either multiple access rights, inappropriate super-user access or they belonged to staff no longer employed by the Council.

Action

All system user access rights are to be reviewed to ensure they are adequate and appropriate.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Issue

There is a lack of clear, documented procedures for dealing with VAT and the preparation of VAT returns.

Action

The Finance Team will produce clear and comprehensive guidance notes, to be circulated to all appropriate officers of the Council.

Issue

Reconciliations have not been prepared or reviewed for a number of key systems and the Main Accounting System. Regular bank reconciliations have not been prepared or reviewed in the financial year.

Action

The Finance Team will work with the operators of key feeder systems to ensure they are reconciled on a regular basis. Bank reconciliations will be performed on a monthly basis, in accordance with approved financial regulations.

I/we have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and the Audit Committee and plan to address weaknesses and ensure that continuous improvement is in place.

Leader of the Council

Chief Executive

