

STATEMENT OF ACCOUNTS

INDEX

	FROM	TO
EXPLANATORY FOREWORD	2	5
STATEMENT OF ACCOUNTING POLICIES	6	11
ACCOUNTING STATEMENTS		
CONSOLIDATED REVENUE ACCOUNT	12	18
CONSOLIDATED BALANCE SHEET	19	26
COLLECTION FUND ACCOUNT	27	29
CASH FLOW STATEMENT	30	32
STATEMENT OF TOTAL MOVEMENT OF RESERVES	33	35
STATEMENT OF RESPONSIBILITIES	36	
STATEMENT ON SYSTEM OF INTERNAL CONTROL	37	44

THESE ACCOUNTS ARE PRESENTED SUBJECT TO AUDIT

I certify that the accounts set out on Pages 2 to 44 present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March, 2005.



F.R. Marshall B.A., C.P.F.A., I.R.R.V.
Director of Resources

I confirm that these accounts were approved by the Resources Executive Committee at the meeting held on 26th July 2005.
Signed on behalf of Kennet District Council

Cllr. L. H. Grundy OBE
Resources Executive Committee
26th July 2005

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

1. INTRODUCTION

The accounts set out in this document have been produced in accordance with the various statutory provisions, Statement of Recommended Practices and codes of practice, which apply to the accounts of local authorities.

The Accounts and Audit Regulations 2003 require that the Statement of Accounts shall be approved by a resolution of a committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the committee.

In fulfilment of these requirements, these Accounts were presented and approved by the Resources Executive Committee on 26th July 2005 and signed and dated by the Chairman of the Committee.

2. PURPOSE OF THE STATEMENT OF ACCOUNTS

The main purpose of a local authority's published Statement of Accounts is to provide electors, Council Tax payers, members of the authority, employees and other interested parties clear information about the authority's financial position. It should aim to provide answers to the following questions:

- What did the Authority's services cost in the year?
- Where did the money come from?
- What are the Authority's assets and liabilities and the year-end?

3. EXPLANATION OF THE ACCOUNTS IN THIS DOCUMENT

This Statement of Accounts includes the following statements:

- ◆ **The Consolidated Revenue Account** reports, for the year, what the authority's services cost and where the money came from to pay for those services. The revenue account is also referred to as the General Fund.
- ◆ **The Consolidated Balance Sheet** summarises the financial position of the authority at the year-end. It shows what assets the authority owns, what it owes, and is owed, and what resources are available to the authority for future years. As the balance sheet is consolidated it includes all the Council's accounts, including the Collection Fund and General Fund.

- ◆ **The Collection Fund** shows all those transactions of Kennet as the authority responsible for billing for local taxation, including the income received from Council Tax and the distribution of this income to the various authorities who can precept (or ask for money) from this Fund, including Kennet.
- ◆ **The Cash Flow Statement** summarises the inflows and outflows of cash and cash equivalents arising from transactions with other people or organisations
- ◆ **Movement in Reserves Statement** shows the main reserves separated into capital and revenue, and shows the changes in these over the year.

4. THE GENERAL FUND

The figures for the year comparing actual spending levels with budgets were as follows:

	2004/05 £000's		2003/04 £000's	
	Actuals	Estimates	Actuals	Estimates
Net Revenue Expenditure	7,888	7,893	8,271	8,269
Parish Precepts	1,128	1,128	1,066	1,066
Total Net Revenue Expenditure	9,016	9,021	9,337	9,335

Although the overall position is very similar to that envisaged when the budgets were prepared, there were some variations at individual service level. Most of these variations were caused by changing internal allocations of staff costs.

5. CONSOLIDATED BALANCE SHEET

In addition to the working balances held for the General Fund and Collection Fund, the Council maintains earmarked reserves for various purposes, which are set out on page 24. The total of such reserves was £3,374 (000's) at the end of 2004/05, a increase of £304 (000's) from the previous year's figure of £3,070 (000's).

The levels of these reserves are considered to be prudent given possible future changes in central government support to district councils affecting revenue support grant and spending limits.

6. COLLECTION FUND ACCOUNT

The Council Tax element of the Collection Fund made a surplus of £193 (000's), with an outstanding balance as at 31st March 2005 of £500 (000's).

The Community Charge element of the Collection Fund did not make a surplus during the year, leaving no outstanding balance as at 31st March 2005.

7. INVESTMENTS AND BORROWING

Since the transfer of the Council's housing stock to Sarsen Housing Association, Kennet has been a "debt free" authority and has carried significant capital reserves. For this reason, the Council has carried out no long-term borrowing in 2004/05 and has no outstanding debt.

The Council's investments have, since 1995, been maintained in three funds (two managed externally, and one managed internally) in low risk investments. Investment income in 2004/05 was greater than it was in 2003/04 due to the slightly higher prevailing interest rates during the year. The level of the Council's investments grew slightly during the year.

The guidelines governing the capital financing arrangements for local authorities changed with effect of 1st April 2004. The capital financing arrangements of all local authorities is now guided by the Local Authority (Capital Finance and Accounting) Regulations 2003 and the Prudential Code published by CIPFA. With the introduction of these changes, the significance of debt free status has reduced, as these regulations have afforded greater flexibility in capital financing for all Local Authorities.

8. PENSIONS

Until the publication of FRS 17 "Retirement Benefits", Local Authorities had not been required to follow UK GAAP in accounting for pension costs. Authorities generally made charges to revenue based on employer's pension contributions payable and payments to pensioners during the year rather than benefit entitlements earned by employees.

FRS 17 requires that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years in the future. The adoption of this standard has taken place over a planned staged basis, as per the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2003.

Full adoption of the standard took place during the financial year 2003/04 and required the recognition of the net asset/liability and a pensions reserve in the balance sheet and entries in the Consolidated Revenue Account for movements in the assets and liabilities of the scheme (with reconciling entries back to contributions payable for Council Tax purposes).

Further details of the impact of this change in accounting policies can be found in the Statement of Accounting Policies, and in the notes to the Consolidated Revenue Account, the Consolidated Balance Sheet and the Statement of Total Movement in Reserves.

9. MATERIAL ASSETS ACQUIRED & INTERNAL & EXTERNAL SOURCES OF CAPITAL FINANCING

The Council has an annual programme of capital investment that is used to maintain and enhance existing assets and acquire additional assets required for the ongoing provision of Council Services. In 2004/05, the Council treated £2,014 (000's) as capital expenditure (£2,674 (000's) in 2003/04).

The principal area of capital investment for the Council in 2004/05 was in Information Technology resources. This is required in order for the Authority to comply with the Government's E-Government strategy.

The Authority's principal sources of funds available to meet its capital expenditure are government grants and capital reserves. There are two main sources of capital grants currently used to finance capital expenditure. These are capital grants to assist in the funding of Housing Improvement Grants and the IEG Grant, used to assist in the funding of the Council E-Government Strategy. In addition, during 2004/05, the Council received DEFRA funding to assist in the purchase of a vehicle for the Recycling Service.


10. THE FUTURE

The Council is not immune from the same economic forces that affect the country as a whole. Falling interest rates over recent years have reduced the Council's investment income by a third. Pension costs have increased significantly because of increased longevity and reduced returns from equities. Year-on-year increases in Government financial support to the Council have not kept pace with increased costs. The Council has to compete for good quality staff in a tight labour market. Relative to most Councils of its size, Kennet's financial position is still strong. Nevertheless, there can be no doubt that financial constraints will potentially have more and more impact on service delivery. The challenge for the Council will be to achieve continuous improvement in the delivery of services in a constrained financial environment.

11. FURTHER INFORMATION

Requests for further information about these accounts may be made to:

Corporate Finance
Browfort
Bath Road
Devizes
Wiltshire, SN10 2AT



F. Marshall B.A., C.P.F.A., I.R.R.V.
Director of Resources
15th July 2005

STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTING POLICIES (INCORPORATING EXPLANATIONS OF TERMS USED)

1. GENERAL

These Statements of Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain 2004 (as amended by update bulletins), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), now a Statement of Recommended Practice (the SORP).

2. FIXED ASSETS

Fixed Assets are defined as expenditure on the acquisition of, or enhancement to, the value of tangible assets that yield benefits to the Council and the service it provides for more than one year.

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 Assets are included in the balance sheet at historical cost, net of depreciation, where applicable. Short lived assets like vehicles and equipment are carried at Historic cost as a proxy for current costs. Further details of the basis of valuation for assets are included in the notes to the Consolidated Balance Sheet.

The code requires that the historic cost or revalued amount at the beginning of the financial period and the balance sheet date, along with the cumulative provision of depreciation for each class of fixed assets be disclosed as a note to the Consolidate Balance Sheet. The Council does not maintain a separate provision for depreciation and therefore is unable to provide this information.

The capital accounting requirements state that where a service employs an asset it should be charged for 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 life of the asset. All assets, with the exception of land, have been depreciated in these accounts. Please see the note to the Consolidated Balance Sheet for details.

The notional interest charge is based on the value shown in the balance sheet. The rates used are those set in the guidance, being 3.5% for assets valued at current valuations, and 4.8% for those assets valued at historic costs.

3. INTANGIBLE FIXED ASSETS

Intangible fixed assets are a new category of assets introduced in the 2004 SORP. The change has been introduced to bring the SORP into line with UK GAAP and FRS10 Goodwill and Intangible Assets. Intangible fixed assets are defined by FRS10 as “non-financial assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights.” For most Local Authorities there are 3 main classes of intangible assets:

- Purchased software licences
- Licences, Trademarks and artistic originals
- Patents

The balances included within the balance sheet for intangible fixed assets all relate to purchased software licences. These assets were previously included in the Vehicles, Plant and Equipment Asset class. The value of these assets has been transferred to Intangible Fixed Assets and the opening asset values have been adjusted to reflect this.

The SORP requires intangible fixed assets to be amortised to the revenue account over their economic lives. The accounting treatment for the amortisation of intangible fixed assets is the same as that adopted for the depreciation of fixed assets, in that the amortisation is debited to the service revenue accounts and then reversed out of the consolidated revenue account to the capital financing account.

4. DEFERRED CHARGES

Deferred Charges are payments of a capital nature where no fixed asset is created but which may properly be financed over a number of years. The main examples of these in Kennet are:

- ◆ Private sector grants made to effect capital improvements to private dwellings
- ◆ Miscellaneous grants to third parties.

Guidance on the treatment of deferred charges suggests that deferred charges should be written off to revenue over the period that the Council receives benefit from the expenditure. Kennet does not comply with this requirement as it feels that this would confuse the accounts. See the notes on Pages 15 and 20 for the impact of this decision and the effect on the revenue account had the Accounting Code of Practice treatment been adopted.

5. BASIS OF CHARGES FOR BORROWING

The Council is a debt-free Council and carries out no borrowing. Because of this, the Council no longer makes minimum revenue provisions towards repayment of debt, or pays any external interest.

6. CAPITAL RECEIPTS

Capital Receipts arise when a fixed asset is sold. Local Authorities are no longer required to set aside capital receipts into a Provision for Credit Liabilities and therefore, they are credited to a Useable Capital Receipts Reserve. As such, they can be used to finance all types of capital expenditure. The balance on the Usable Capital Receipts Reserve represents those capital receipts which have been received but which have not yet been used to finance capital expenditure.

The guidelines governing the capital financing arrangements for Local Authorities changed with effect of 1st April 2004. Until this date, the Council maintained two principal capital reserves, the Provision for Credit Liabilities and the Useable Capital Receipts Reserve. As a debt-free authority, the Council was able to fund capital expenditure from its Provision for Credit Liabilities, in addition to its Useable Capital Receipts Reserve. The new regulations have increased the flexibility of capital financing for all local authorities. As a consequence, the regulations have permitted the Council to formally transfer an amount equal to the Council's negative credit ceiling as at 1st April 2004, from its Provision for Credit Liabilities to its Useable Capital Receipts Reserve. Therefore, the Council has transferred £29,013 (000's) during the current financial year.

When some assets are sold the sale price is not received immediately. One example of this is where a council house is sold and a council mortgage is given. In this case the capital receipt is received over a number of years as the mortgage is repaid. Until the mortgage is repaid the outstanding amount is known as a "deferred credit."

7. DEBTORS AND CREDITORS

The Revenue Account of the Council is maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18 "Accounting Policies". That means that sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. This policy is only used for material amounts, which for this year means amounts greater than £500. Capital transactions are also included on this basis.

Until the introduction of the Local Authority (Capital Finance and Accounting) Regulations 2003, capital financing was accounted for on a cash basis as required by the Code of Accounting Practice. However, capital financing is now also accounted for on an accruals basis.

8. STOCKS AND WORK IN PROGRESS

Stocks are valued at the latest price paid. This is a departure from the requirements of the code and SSAP9, which requires stocks to be shown at actual costs or net realisable value if lower. The effect of this treatment is not material.

9. COST OF OVERHEADS

The accounting treatment of different types of overheads is subject to differing treatment according to the advice of the Best Value Accounting Code of Practice (BVACOP), as follows:

- ◆ **Apportionable Central Overheads** This heading includes all those central support service costs such as finance, internal audit, personnel, IT, Legal etc. These costs can be and are apportioned over services in accordance with usage. Their costs are therefore included within the service costs
- ◆ **Non Distributed Costs** BVACOP specifically excludes certain costs and overheads from apportionable overheads, and instead defines them as Non Distributed Costs (NDC). NDC replaces the previous heading of Unallocable Central Overheads in the Consolidated Revenue Account. NDC is defined as comprising:
 - Past service (pension) costs
 - Settlements (pension cost)
 - Curtailments (pension cost)
 - The cost associated with any unused shares of IT facilities
 - The costs of shares of other long-term unused but unrealisable assets.

Corporate and Democratic Core Costs

These are split into two main headings

- **Democratic Representation and Management** The costs shown here relate to all aspects of members activities including corporate programme and service policy making, the representation of local interests and general activities relating to the authority or the local area.
- **Corporate Management** The costs shown here concern those activities and costs which provide the infrastructure which allow services to be provided whether by the authority or not and the information required for public accountability. These do not include costs which relate to the provision of a service which are charged to that service.

10. PROVISIONS

The Council establishes provisions for any material liabilities of uncertain timing or amount to be settled by the transfer of an economic benefit, where the authority has a present obligation as a result of a past event. Provisions for doubtful debts are shown in the Balance Sheet as a reduction to debtors rather than under this heading.

11. RESERVES

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The main example of this is the General Fund working balance, which is held in order to be prudent, and the only intended use of these balances would be in the case of unexpected expenditure, income loss or a budget overspend.

In addition to these reserves, there are amounts held for a special purpose that do not fall into the definition of provisions. These are now called "Earmarked Reserves." The expenditure charged to reserves has been included in the cost of services of the Consolidated Revenue Account, with a contribution from reserves included in the amount to be met from government grants and local taxation.

12. ACCOUNTING FOR PENSION COSTS

a) The pension scheme offered by the Authority is a Defined Benefit Scheme and is administered by Wiltshire County Council.

b) The pension costs that are paid by the Council in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded or pay-as-you-go basis e.g. retirement benefits awarded for ill health or early retirement. These costs have been determined on the basis of contribution rates that are set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations.

c) The SORP now requires full compliance with the requirements of FRS17 "Retirement Benefits" and as such represents a change in accounting policy. The adjustments necessary to comply with the requirements of FRS17 have been made to the Consolidated Revenue Account, the Consolidated Balance Sheet and Statement of Total Movement in Reserves.

d) These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which the Authority was directly responsible. The new policies better reflect the Authority's commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

The change has had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government Grants and local taxation payers has remained unchanged.
- The costs disclosed for individual services have changed after the replacement of employer's contributions with current service costs. Non-distributed costs include past service costs, curtailments and settlements.
- The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority.

e) In assessing liabilities for retirement benefits at 31st March 2004 for the 2003/04 Statement of Accounts, the actuary was required by the SORP to use a discount rate of 3.5%. For the 2004/05 Statement of Accounts, a rate based on the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities is to be used. The actuary has advised that a rate of 5.5% is appropriate. The application of this rate has resulted in an increase in liabilities of £7,240 (000's), adjusted for by an increase in actuarial losses recognised in the Statement of Total Movements in Reserve.

13. INVESTMENTS

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

14. GOVERNMENT GRANTS

Grants and subsidies have been credited to the appropriate revenue and capital accounts and accruals are made where the grant due for the year is not received by 31st March.

The code requires fixed assets to be included in the balance sheet at their continuing value to the authority and the depreciation charge would be based on the valuation. The code also requires that government grants for the acquisition of fixed assets should be credited to the Consolidated Revenue Account over the life of the fixed asset, to set-off the depreciation charged on the asset. To balance this, there would be a corresponding contribution to the Capital Financing Reserve.

The Council does not comply with this requirement. The majority of government grants received are not for specific fixed assets but more usually for the provision of general IT software and equipment, and as such the grant cannot be applied to a specific asset. In addition, Kennet does not comply with this requirement as it feels that this would confuse the accounts.

15. OPERATING LEASES

Operating Leases are those leases in which the lessor retains most of the risks and rewards of ownership of the asset. The assets acquired through operating leases do not appear in the Council's balance sheet, as the Council does not own them. The leasing payments are charged directly to the service having use of the asset.

16. GROUP ACCOUNTS

The 2004 SORP requires local authorities to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council has reviewed its arrangements and does not have such material interests. As a result, it has not been necessary to include group financial statements within this document.

CONSOLIDATED REVENUE ACCOUNT

Consolidated Revenue Account for the year ended 31st March 2005					
Note	2003/04	Cost of Services	2004/2005		
	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
13	1,287	Corporate and Democratic Core	1,410	63	1,347
	541	Non Distributed Costs	494	118	376
	689	Public Central Services	3,895	3,343	552
	2,299	Culture and Related Services	4,461	1,752	2,709
	3,154	Environmental Services	5,326	1,608	3,718
	1,366	Planning and Development	3,358	2,183	1,175
	55	Highways and Transport	977	1,043	(66)
	1,591	Housing Services	16,111	14,833	1,278
	10,982	Net Cost of Services	36,032	24,943	11,089
16	1,066	Precepts paid to parish councils			1,128
	(0)	Trading Accounts Surpluses & Deficits			8
	(1,151)	Interest Receivable			(1,422)
6	1,980	Interest Cost (Pensions)			1,930
6	(1,560)	Expected Return on Assets (Pensions)			(2,050)
1	(653)	Transfer from Asset Management Account			(754)
	10,664	Net Operating Expenditure			9,929
	(782)	Contribution to/(from) Earmarked Reserves			304
6	35	Contribution to/(from) Pensions Reserve			(302)
8	(580)	Contribution to Capital Financing Reserves			(915)
	9,337	Amount to be met from Government Grants and Local Taxation			9,016
2	(4,221)	Demand on Collection Fund			(4,523)
	(2,614)	Non-domestic rates redistribution			(2,024)
	(2,501)	Revenue Support Grant			(2,474)
	(1)	Net General Fund surplus/(deficit)			5
	859	Balance Brought Forward			858
	(1)	Surplus/(deficit) for the year			5
	858	Balance Carried Forward			863

1. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account is the account that removes the capital charges included within the cost of services figures to ensure that these notional charges do not affect the amount payable by Government Grants and Local Taxpayers. The amount transferred to the General Fund was calculated as follows:

	2004/05 £000's	2003/04 £000's
Capital Charges made to General Fund services	(1,669)	(1,233)
Depreciation and Amortisations	915	580
Net on account given to General Fund	(754)	(653)

Amortisations relate to intangible fixed assets (see Note 1a of the Consolidated Balance Sheet). They are comparable to a depreciation charge for this class of assets.

2. FUNDS FROM COLLECTION FUND

The Council determines its call on the collection fund when the budgets are prepared, and it receives this amount regardless of the income that the collection fund actually secures. The precept demanded from the Collection Fund for Kennet of £4,523 (000's) includes £1,128 (000's) in respect of parish councils' precepts.

3. PUBLICITY

The level of activity is in the order of £208 (000's) analysed as follows: -

	2004/05 £000's	2003/04 £000's
Recruitment Advertising	102	73
Other Advertising	106	103
Total Advertising	208	176

4. SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £1.90 per head of population. For Kennet the permitted amount was £141 (000's) for 2004/05 (£142 (000's) in 2003/04). The Council makes contributions to Citizen Advice Bureau in its area, amounting to £60 (000's) in 2004/05 (£60 (000's) in 2003/04).

5. AGENCY SERVICES

The Council carried out certain work on an agency basis for which it is reimbursed:

		2004/05 £000's	2003/04 £000's
Grass Verge Maintenance	Wilts.County Council	12	16
Sewerage Maintenance	Water Companies	0	104
Total		12	120

6. PENSION COSTS

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 the employee retires, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme for civilian employees, administered by Wiltshire County Council. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance pensions liabilities with investment assets.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by the employee, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the Council Tax is based on the cash payable during the year, so the real cost of retirement benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure. The following transactions have been made in the Consolidated Revenue Account for the year ended 31st March 2005:

	Local Government Pension Scheme	
	2004/05 £000's	2003/04 £000's
<i>Net Cost of Services:</i>		
• Current Service Cost	(1,100)	(810)
• Past Service Cost	0	(224)
• Loss on Curtailments/Settlements	(342)	(261)
<i>Net Operating Expenditure:</i>		
• Interest Cost	(1,930)	(1,980)
• Expected Return on Assets in Scheme	2,050	1,560
<i>Amounts to be Met from Government Grants & Local Taxation:</i>		
• Movement in Pensions Reserve	302	(35)
<i>Actual Amount Charged Against Council Tax for Pensions in the Year:</i>		
• Employers' Contributions Payable to Scheme	1,020	1,750

Please see additional note on net pensions assets/liabilities in Note 12 to the Consolidated Balance Sheet and Note 5 to the Statement of Total Movement on Reserves.

Further information can be found in Wiltshire County Council's Superannuation Fund's Annual Report which is available from: County Hall, Trowbridge. BA14 8JJ.

7. OPERATING LEASES

Operating Leases are used for the purchase of most vehicles and equipment.

	Leasing Payments made in the year		Outstanding Payments under the lease as at	
	2004/05	2003/04	31/3/05	31/3/04
	£000's	£000's	£000's	£000's
Vehicles and Equipment	351	387	937	1,743
Computer Equipment	157	248	120	209
Contract Hire Vehicles	210	258	226	213
Total	718	893	1,283	2,165

8. CAPITAL FINANCING ACCOUNT

The Authority is not required to set aside a minimum revenue provision for the redemption of external debt as it is debt free, so the transfer to the Capital Financing Reserve is a reversal of depreciation charged to services, £915 (000's) in 2004/05, (£580 (000's) in 2003/04).

If these accounts complied with the treatment of deferred charges referred to in the Accounting Code of Practice, the impact would be that the housing cost of service would be higher to the extent of improvement grants given in the year (£226 (000's)) and to balance this there would be a higher transfer to Capital Financing Reserve. Other costs of service would be higher to the extent of miscellaneous assets funded in the year (£55 (000's)), which has been charged direct to the Capital Financing Reserve.

9. INCOME UNDER LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this act to provide goods and services to other public bodies. The Authority provided the following services to the Wiltshire and Swindon Fire Authority:

- Services of the Treasurer
- Internal Audit Services
- Treasury Management Services
- Advice on VAT and Capital Finance

Details of the income and expenditure for this service can be found in Note 16 on Page 17.

10. OFFICERS' EMOLUMENTS

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

Emoluments	2004/05	2003/04
Number of Employees in the year		
£50,000 to £59,999	5	7
£60,000 to £69,999	1	0
£70,000 to £79,999	0	0
£80,000 and above	2	2

11. MEMBERS' ALLOWANCES

In accordance with the Local Authority (Members' Allowances) Regulations 1991, each year the Authority publishes details of the total amount of basic allowance and special responsibility allowance paid to members of Kennet District Council. The total amount paid for the year ended 31 March 2005 was £ 126 (000's), (£126 (000's) in 2003/04), broken down as follows:

Members' Allowances	2004/05	2003/04
	£000's	£000's
Basic Allowance	112	109
Special Responsibility Allowance	19	17
Total	131	126

12. RELATED PARTY TRANSACTIONS

Related parties of a Local Authority include, Central Government, other Local Authorities and Precepting Bodies, Pension Funds, Housing Associations, members and Chief Officers. The main ones that apply to Kennet District Council are:

- Central Government – details of transactions with Central Government are given throughout the Statement of Accounts and include, for example, Housing Benefit Payments on behalf of the Department of Works and Pensions, amounting to £12,924 (000's);
- Wiltshire Fire Authority – the Council has an agreement with the Wiltshire and Swindon Fire Authority to provide an internal audit service and miscellaneous financial and accounting advice, details of which are included in the Consolidated Revenue Account;
- Pension Funds – details of transactions with the pension funds are given in note 6 to the Consolidated Revenue Account;
- Precepting Bodies – details of transactions with Precepting Bodies are detailed within the Collection Fund Account on P.26;
- Members and Chief Officers – no material transactions have been declared.

13. 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. The cost of operating the building control chargeable activities were:

Building Regulations Trading Account 2004/05				
Chargeable 2003/04 £000's		Chargeable 2004/05 £000's	Non- Chargeable 2004/05 £000's	Total 2004/05 £000's
	Expenditure			
186	Employee Expenses	215	88	303
6	Premises	6	2	8
0	Transport	0	0	0
81	Supplies and Services	91	29	120
34	Central and Support Service Charges	49	10	59
307	TOTAL EXPENDITURE	361	129	490
	Income			
333	Building Regulation Charges	299	0	299
28	Miscellaneous Income	3	1	4
361	TOTAL INCOME	302	1	303
54	SURPLUS / (DEFICIT) FOR YEAR	(59)	(128)	(187)

The figures for both years comply with the requirements of FRS 17. However, the fees for Building Control are set assuming cash payments to the pension fund as the FRS17 adjustments are not known until the end of the financial year, whereas the fees are set prior to the beginning of the financial year. The net effect of this adjustment on the chargeable (fee earning) account is that expenditure is higher by £ 6(000's).

15. AUDIT FEES

In 2004/05, the Authority paid the following fees relating to external audit and inspection.

Audit Fees	2004/05 £000's	2003/04 £000's
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	64	102
Fees payable to the Audit Commission in respect of statutory inspection.	0	2
Fees payable to the Audit Commission for the certification of grant claims and returns.	35	22
Fees payable in respect of other fees provided by the appointed auditor.	0	0
Total	99	126

NOTES TO CONSOLIDATED REVENUE ACCOUNT

The decrease between 2003/04 and 2004/05 was the result of a change in the charging arrangements for the Audit Commission which resulted in a one off increase during 2003/04 when 17 months of fees were paid during the 12 month period.

16. OTHER TRADING SURPLUSES/DEFICITS

The Authority has an agreement with the Wiltshire and Swindon Fire Authority to provide Accounting and Audit services. The surplus/deficit made on this agreement has been excluded from the Net Cost of Services as the service is provided to a third party and does not relate to Kennet District Council's own services.

Trading Account Wiltshire & Swindon Fire Authority	2004/05 £000's	2003/04 £000's
Expenditure	36	24
Fees & Charges	28	24
Surplus/(Deficit)	(8)	0

Consolidated Balance Sheet as at 31 March 2005				
Note	31/3/04 £000's		31/3/05	
			£000's	£000's
1a	1,499	Intangible Fixed Assets	1,623	1,623
		Operational Assets		
1a	14,927	Other Land and Buildings	17,928	
1a	116	Vehicles, Plant and Equipment	527	
1a	628	Infrastructure	628	19,083
	15,671			
	1,756	Non-Operational Assets	3,014	3,014
	18,926	TOTAL FIXED ASSETS		23,720
1b	0	Long-Term Assets		
	50	Deferred Charges	0	
		Long-term Investments	50	
2	259	Long-term Debtors	226	276
	19,235	TOTAL LONG-TERM ASSETS		23,996
		Current Assets		
	58	Stocks	59	
4	27,862	Investments	28,150	
	4,410	Debtors	2,913	
7	(555)	Bad Debt Provision	(538)	
	2	Cash in Collectors Hands	2	30,586
		Current Liabilities		
5	(2,339)	Creditors	(1,788)	
	(291)	Cash Overdrawn	(381)	(2,169)
	48,382	TOTAL ASSETS LESS CURRENT LIABILITIES		52,413
7	(0)	Other Revenue Provisions	(0)	
12	(5,635)	Net Pensions Assets/Liabilities	(12,517)	(12,517)
	42,747	TOTAL ASSETS LESS LIABILITIES		39,896
		Financed By:		
3	(21,875)	Fixed Asset Restatement Account	(17,899)	
	56,107	Capital Financing Account	27,932	
	9,706	Useable capital receipts reserve	37,458	
12	(5,635)	Pensions Reserve	(12,517)	
	209	Deferred Credits	185	35,159
8	3,070	General Fund Earmarked Reserves	3,374	3,374
	858	General Fund Working balance	863	
6	307	Collection Fund Reserves	500	1,363
	42,747	TOTAL EQUITY		39,896

1a. CAPITAL EXPENDITURE AND DISPOSALS IN THE YEAR

	Intang- ible Fixed Assets £000's	Other Land & Buildings £000's	Vehicles, Plant & Equip- ment £000's	Infrast- ructure £000's	Non- operat- ional Assets £000's	TOTAL £000's
Value as at 1/4/04	1,499	14,927	116	628	1,756	18,926
Purchases/Spending	578	570	544	2	39	1,733
Disposals	0	0	0	0	0	0
In Year Revaluations	0	2,758	(8)	(2)	1,228	3,976
Depreciation/ Amortisation	(454)	(327)	(125)	0	(9)	(915)
Value as at 31/3/05	1,623	17,928	527	628	3,014	23,720

During 2004/05, the Council's assets were revalued (see Note 1d). As a result, the value of the Councils Land and Buildings and Non-Operational Assets increased in value. This is reflected in the In Year Revaluations figure above.

The Council does not maintain a separate provision for depreciation (or amortisation) and therefore it is not possible to report to total level of depreciation for these assets separately. Therefore, the asset values included in the balance sheet are the current depreciated values of the assets.

1b. DEFERRED CHARGES

The movement in Deferred Charges in the year was as follows:

	Balance as at 1/4/04 £000's	Spending in the year £000's	Written off in the year £000's	Balance as at 31/3/05 £000's
Improvement Grants	0	226	(226)	0
Miscellaneous Assets	0	55	(55)	0
Total Deferred Charges	0	281	(281)	0

1c. FINANCING OF CAPITAL EXPENDITURE

The total expenditure shown above of 2,014 (000's) (£1,733 (000's) plus £281 (000's)) was funded in the following manner.

	2004/05 £000's	2003/04 £000's
Useable Capital Receipts	1,412	8,657
Revenue and Reserves	0	15
Capital Grants	602	302
Total Financing	2,014	8,974

1d. FIXED ASSET REVALUATION

During 2004/2005, a proper valuation was carried out by the Council's valuer, Mr David Stubbs, FRICS, for those categories of assets marked with a *. As at the 1 April 2004, all the Council's assets (over £10,000) were valued, in the following manner.

Other Land and Buildings were valued at:

- Open Market Value in existing use (where a market existed) *
- Depreciated Replacement cost (where no alternative market existed) *

Vehicles, Plant and Equipment were valued at purchase price less depreciation.

Infrastructure was valued at historic cost less depreciation, as appropriate

Non Operational Assets were valued at Open Market Value. *

The next valuation is due during the financial year 2009/2010. The Council's valuer has also provided details relating to the residual values and expected lives for all land and property assets.

1e. INFORMATION ON ASSETS HELD

In the following information, assets are included where they are valued at more than £10,000 with the exception of vehicles that are all included. At the 31st March 2005, assets held were as follows:

	As at 31/3/05	As at 31/3/04
District Council Central Office	1	1
Other Offices	2	2
Housing Land for Development	0.26 acres	0.26 acres
Other Land	62.1 acres	62.1 acres
Depots and Workshops	1	1
Woodland Amenity area	14.6 acres	14.6 acres
Public Conveniences	12	12
Off Street Car Parks	13	13
Leisure Centres	2	2
Market Halls	1	1
Commercial Properties	10	10
Vehicles	19	16
Other Equipment	13	9
Intangible Fixed Assets -Multi user software packages	33	22

1f. COMMITMENTS UNDER CAPITAL CONTRACTS

As at 31st March 2005, the Council was not committed to the major refurbishment of Devizes Leisure Centre, which is due to be completed during 2005/06. The budget for this work is £2,300 (000's).

1g. DEPRECIATION AND AMORTISATION

All assets within these accounts have been depreciated on a straight line basis, taking into account expected useful lives and residual values. Intangible fixed assets have been amortised over their economic useful lives, based on a straight line basis. The following useful lives have been used, by category of asset:

Asset Category	Useful Life
Public Conveniences (depending on when constructed as new)	Less than 50 yrs
Sewage Disposal Units (3 age bands)	Less than 25 yrs
	Not more than 20yrs
	Not more than 40 yrs
Other Buildings (3 age bands)	Not more than 60 yrs
	Not more than 5 yrs
	Note more than 25 yrs
	Not more than 50 yrs
Vehicles, plant & equipment	3 to 10 years
Intangible Fixed Assets	5 to 7 years

2. LONG TERM DEBTORS

	Balance as at 31/3/05 £000's	Balance as at 31/3/04 £000's
Mortgages	185	210
Car Loans	31	38
Other	10	11
Total Long-term Debtors	226	259

3. PROVISION FOR CREDIT LIABILITIES

The Council was previously required to maintain a Provision for Credit Liabilities (PCL) and provide a memorandum note summarising the movements on this account during the year. The PCL was maintained as a balance within the Capital Financing Account. The requirement for this note has been removed from the 2004 SORP. However, in compliance with the provisions of the Local Authority (Capital Finance and Accounting) Regulations 2003, during 2004/05 the Council transferred an amount from its Provision for Credit Liabilities to its Useable Capital Receipts reserve, equal to the amount that its credit ceiling was a negative figure as at 1st April 2004 (the equivalent of the PCL that could be used by the Authority to finance capital expenditure). Therefore, the following table summarises this movement for completeness.

	2004/05 £000's	2003/04 £000's
Balance brought forward	30,405	39,750
Reserved proportion of capital receipts	0	0
Minimum revenue provision	0	0
Repayment of external loans	0	0
Financing of Capital expenditure in the year	0	(9,345)
Funding of LSVT Levy to government	0	0
Borrowing adjustment	0	0
Transfer to Useable Capital Receipts	(29,013)	0
Balance carried forward	1,392	30,405

4. DEBTORS

Balance as at	31/3/05 £000's	31/3/04 £000's
Government Departments	620	1,650
Other Local Authorities	134	98
Council Tax Payers	832	763
Community Charge Payers	0	0
Non-Domestic Rate Payers	(382)	13
Sundry Debtors	1,258	1,362
Prepayments	451	524
Total Debtors	2,913	4,410
Less provision for bad debts	(538)	(555)
Total Net Debtors	2,375	3,855

5. CREDITORS

Balance as at	31/3/05 £000's	31/3/04 £000's
Government Departments	47	288
Other Local Authorities	416	370
Sundry Creditors	533	663
Creditor Receipts in Advance	264	577
Non-Domestic Rate Payers	14	0
Local Tax Payers – Prepayments	514	441
Total Creditors	1,788	2,339

6. COLLECTION FUND RESERVE

The balance on the Council's statutory Collection Fund is made up of two parts.

All Figures in £000's	2004/05	2003/04
Community Charge Collection Fund Balance	0	0
Council Tax Collection Fund Balance	500	307
Total Collection Fund Balance	500	307

7. PROVISIONS

The Authority held the following bad debt provisions as at 31 March 2005.

All Figures in £000's	1/4/04	Movement	31/3/05
Local Taxation	525	(50)	485
Miscellaneous Sundry Debtors	30	23	53
Total Bad Debt Provisions	555	(27)	538

The Authority had no other provision balances as at 31st March 2004.

8. EARMARKED RESERVES

All Figures in £000's	1/4/04	Movement	31/3/05
1. Misc.Grants and Contributions	134	(49)	85
2. Leisure Reserves	194	17	211
3. EHO & Sewerage Funds	68	(68)	0
4. Amenity Areas	0	23	23
5. Insurance Reserves *	26	2	28
6. Repairs and Renewals Reserve	0	54	54
7. Early Retirement Reserve	169	(152)	17
8. Play Equipment S.104 Reserve	110	0	110
9. Other	240	(61)	179
10. General Earmarked Reserves	2,129	61	2,190
11. Miscellaneous Housing Surveys	0	45	45
12. Planning Delivery Grant	0	432	432
Total Reserves	3,070	304	3,374

*The insurance fund covers All Risks for equipment, and Public Health Act payments. The potential risk is not considered material, in volume or value.

9. CONTINGENT LIABILITIES AND COMMITMENTS

The Council did not have any contingent liabilities and commitments at the balance sheet date or subsequent to that date.

10. FINANCE LEASES

The Council holds no material assets acquired under finance leases.

11. POST BALANCE SHEET EVENTS

Post Balance Sheet Events are defined as those events that occur between the balance sheet date and the date on which the accounts are approved by the authority (by the end of September). There are two different types of event. Adjusting events are those that provide additional evidence of conditions existing at the balance sheet date. Non-adjusting are those events that concern conditions that did not exist at the balance sheet date.

The Authority has no adjusting or non-adjusting post balance sheet events.

12. DISCLOSURE OF NET PENSIONS ASSETS/LIABILITIES

Note 6 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme (Administered by Wiltshire County Council). The date of the last full actuarial valuation of the fund was 31st March 2004 and was completed during 2004.

The underlying assets and liabilities for the retirement benefits attributable to the Authority as at 31st March 2005 are as follows:

Local Government Pension Scheme	As at 31/3/04 £000's	As at 31/3/05 £000's
Estimated liabilities in scheme	(35,035)	(45,420)
Estimated assets in scheme	29,400	32,910
Net Pensions Assets/(Liability)	(5,635)	(12,517)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability of £12,517 (000's) has a substantial impact on the net worth of the Authority recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Under this method, the current service cost will increase as members of the scheme approach retirement age. The Scheme has been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

Assumptions as at	31/3/04 % per annum	31/3/05 % per annum
Price Increases (Rate of Inflation)	2.9%	2.9%
Rate of Salary Increases	4.4%	4.4%
Rate of Increases in Pensions	2.9%	2.9%
Rate for discounting scheme liabilities	6.5%	5.4%

Assets in the Wiltshire County Council Pension Fund are valued at a fair value, principally market value for investments and consist of the following categories, by proportion:

Assets	Asset Distribution 2003/04	Asset Distribution 2004/05	Value of Assets Held 2004/05 £000's	Long Term Return
Equities	70%	70%	22,840	7.7%
Bonds	18%	19%	6,380	4.8%
Property	9%	8%	2,800	5.7%
Cash	3%	3%	890	4.8%
Total	100%	100%	32,910	6.9%

13. EURO COSTS

The advent of the stage 3 of the Economic and Monetary Union could necessitate significant expenditure by many authority's to adapt their operations and information systems to accommodate the single currency. These costs could include administrative planning, staff training and the modification of software.

The authority has not incurred any significant expenditure in preparing for the possible introduction of the Euro.

COLLECTION FUND ACCOUNT 2004/05			
	2003/04 £000's		2004/05 £000's
		Income	
	30,308	Income from Council Tax	32,809
2	2,331	Transfers from General Fund	
	0	Council Tax Benefits	2,745
		Transitional Relief	0
3	11,436	Income Collectable from Business Ratepayers	11,316
		Contributions	
	0	Adjustment of previous year's community charges	0
	0	Towards previous year's collection fund deficit	0
	44,075	Total Income	46,870
		Expenditure	
		Precepts and Demands	
	24,926	Wiltshire County Council	25,722
	3,233	Wiltshire Police Authority	3,639
		Wiltshire & Swindon Fire Authority	1,436
	3,156	Kennet District Council	3,395
	379	Devizes Town Council	401
	68	Tidworth Town Council	74
	144	Marlborough Town Council	154
	475	Other Parish Councils	499
	32,381	Total Precepts	35,320
		Business Rates	
	11,331	Contribution to the National Pool	11,213
	104	Cost of Collection	103
		Bad and Doubtful Debts	
	42	Write Offs	41
		Contributions	
	0	Towards previous year's estimated collection fund surplus	0
	0	Provision for losses on banding appeal revaluations	0
	0	Bad and Doubtful Debt Provision	0
	43,858	Total Expenditure	46,677
	(217)	Net (Surplus)/Deficit for the year	(193)
	90	Balance at beginning of year	307
	217	(Deficit)/ Surplus for the year	193
	307	Balance at end of year	500

1. GENERAL COMMENTS

These accounts represent the transactions of the Collection Fund. From the 1st April 1993, the introduction of Council Tax made changes in the way the Collection Fund was run. The Council now runs two collection funds; Community Charge and Council Tax.

2. 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:

Figures are estimates used for setting tax for 2004/05	No. of dwellings in 2004/05 (adj.for discounts)	Ratio	No. of Band D equivalent dwellings
Band A (with Disabled Relief)	6.00	5/9	3.30
Band A	3,048.00	6/9	2,032.00
Band B	3,996.25	7/9	3,108.20
Band C	7,156.50	8/9	6,361.30
Band D	4,204.50	9/9	4,204.50
Band E	3,921.50	11/9	4,792.90
Band F	2,705.00	13/9	3,907.20
Band G	2,197.25	15/9	3,662.10
Band H	268.25	18/9	536.50
Total	27,503.25		38,608.10
Other Adjustments			1,605.00
Total Band D equivalents			30,213.10

3. 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 Kennet area as at 31/3/05 was £31,646,451 (£31,526,606 at 31/3/04). The National rate in 2003/04 set by the government was 45.6p (44.4p in 2003/04).

4. COLLECTION FUND SURPLUS

Fund	2003/04 £000's	2003/04 £000's
Balance at Beginning of Year	307	90
Council Tax	193	217
Community Charge	0	0
(Deficit) / Surplus for Year	193	217
Balance at End of Year	500	307

Regulation 10 of the Local Authorities (Funds) (England) Regulations 1992 requires a billing authority to calculate whether there is a surplus or deficit in its Collection Fund for the preceding financial year.

CASH FLOW STATEMENT

CASH FLOW STATEMENT 2004/05				
Note	2003/04 £000's		2004/05	
			£000's	£000's
4		Revenue Activities		
		Expenditure		
	(7,179)	Employees	(7,440)	
	(6,659)	Other Operating Costs	(16,642)	
	(28,159)	Precepts Paid	(30,797)	
	(12,785)	NNDR Paid to National Pool	(11,599)	
	(10,181)	Housing Benefit Paid Out	(10,892)	(77,370)
	(64,963)			
		Income		
	30,216	Council Tax Income	32,743	
	9,639	National Non Domestic Rate Income	9,989	
	2,614	NNDR Receipts from Pool	2,024	
	2,501	Revenue Support Grant	2,474	
	12,098	DWP Grant for Rebates	14,254	
1	234	Other Government Grants	1,066	
	4,721	Cash Received for Goods and Services	4,984	
	941	Other Revenue Cash Payments/Income	10,072	77,606
	(1,999)	Net Cash Flow from Revenue Activities		236
		Servicing of Finance		
		Expenditure		
	0	Interest Paid	0	
		Income		
	1,147	Interest Received	1,271	1,271
		Capital Activities		
		Expenditure		
	(3,154)	Purchase/Spending on Fixed Assets	(1,801)	
	(204)	Payment of LASHG and Improvement Grants	(228)	
	(6,311)	Other Capital Payments	(11)	(2,040)
		Income		
	635	Sale of Fixed Assets	108	
	389	Capital Grants Received	532	
	271	Other Capital Income	91	731
	(9,226)	Net Cash Inflow before Financing		196
3		Management of Liquid Resources		
	11,222	Net decrease in Liquid Resources	(288)	(288)
		Financing		
	0	Expenditure	0	
2	0	Income	0	0
	1,996	Increase/(Decrease) in Cash		90

1. RECONCILIATION TO CONSOLIDATED REVENUE ACCOUNT

	2004/05 £000's		2003/04 £000's
Surplus/(Deficit) on General Fund	0		0
Surplus/(Deficit) on Collection Fund	193		217
Non Cash Transaction reversed out		193	217
Non Cash Capital Accounting Adjustments	83		597
Interest for year excluded from revenue	(1,422)		(1,151)
Capital Financing - Revenue & Reserves	(5)		(1)
Net Contributions to/from reserves*	309		(783)
Collection fund non-cash items	0		0
Items on a accrual basis		(1,035)	(1,121)
Movement in Debtors	1,480		(94)
Movement in Stock	(1)		(3)
Movement in Creditors	(551)		(787)
Movement in Provisions	0		0
Other	150	1,078	6
Net Cash Flow from Revenue Activities		236	(1,999)

* This includes the net contributions to Earmarked Reserves (£154 (000's)) and net contributions to the General Fund Reserve (£5(000's)).

2. MOVEMENT IN CASH

	1/4/04 £000's	Movement £000's	31/3/05 £000's
Cash in Hand	2	0	2
Cash Overdrawn	(291)	90	(381)
Total Cash	(289)	90	(379)

3. MANAGEMENT OF LIQUID ASSETS

	1/4/04 £000's	Movement £000's	31/3/05 £000's
Liquid Resources (Short-Term Deposits)	27,862	288	28,150
Total Liquid Resources	27,862	288	28,150

Liquid resources have been defined as short-term deposits and other current asset investments that can be readily converted into cash at or close to its carrying amount.

4. ANALYSIS OF GOVERNMENT REVENUE GRANTS

	2004/05 £000's	2003/04 £000's
Improvement Grant - Revenue	30	30
Planning Delivery Grant	628	75
Homes @ Kennet	68	24
BITE IT	43	0
Safer Communities	93	0
DEFRA	16	0
Devizes Masterplan	80	0
Market Towns	5	0
NNDR Allowance for cost of collection	103	105
Total Revenue Grants	1,066	234

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	CAPITAL RESERVES			REVENUE RESERVES				TOTAL
	Fixed Asset Restatement Account	Capital Financing Account	Usable Capital Receipts	General Fund	Collection Fund	Earmarked Reserves	Pensions Reserve	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Balance as at 1/4/04	(21,875)	56,107	9,706	858	307	3,070	(5,635)	42,538
Net Surplus/(Deficit) for the year				5	193			198
Transfer between reserves		(29,013)	29,013					0
Appropriations to/from Revenue		(915)				304	(302)	(913)
Unrealised (gains)/loss from revaluation of assets	3,976						(6,580)	(2,604)
Effect of Disposal of Fixed Assets								
Value of Assets disposed of								
Proceeds of disposal								
Net (Surplus)/Deficit								
Proceeds from other Sources			173					173
Financing of fixed assets			(1,434)					(1,434)
Financing of Deferred Charges		(281)						(281)
Usable Capital Receipts Applied		1,432						1,432
Capital Grants Applied		602						602
Balance as at 31/3/05	(17,899)	27,932	37,458	863	500	3,374	(12,517)	39,711

1. REVENUE RESERVES

Further details regarding the movement in revenue reserve balances can be found in the rest of this statement:

◆ General Fund Reserve	see Page 12 Consolidated Revenue Account
◆ Collection Fund Reserve	see Page 27 Collection Fund Account
◆ Earmarked Reserves	see Page 24 Earmarked Reserves

2. FIXED ASSET RESTATEMENT ACCOUNT

The Fixed Asset Restatement Reserve is not a reserve that is available for use by the Council. It mainly reflects movements in the revaluation of fixed assets, and the balance on it has no real significance.

3. CAPITAL FINANCING ACCOUNT

Part of the Capital Financing Account is made up of the Provision for Credit Liabilities (PCL). Details of this amount are shown in the notes to the Consolidated Balance Sheet. This was relevant to debt-free authorities as it could be used to finance capital expenditure. As explained in the notes to the balance sheet, the Council has transferred the “useable” element of the PCL to the Useable Capital Receipts Reserve. The following table shows the split between the remaining element of the PCL and the capital financing element of the account, which is a notional element and cannot be used by the Council.

	2004/05 £000's	2003/04 £000's
Provision for Credit Liabilities	1,392	30,405
Notional Capital Financing Reserve Element	26,540	25,702
Total Balance of Capital Financing Reserve	27,932	56,107

4. USABLE CAPITAL RECEIPTS

The balance on the usable capital reserve can be used to finance capital expenditure whether or not an authority is debt free. The balance on this account is therefore available to the Council. The movement on the Usable Capital Receipts Reserve during the year is as follows:

	2004/05 £000's	
Balance as at 1 April 2004		9,706
Transfers to/from other Reserves	29,013	
Proceeds from disposals	173	
Financing of Capital Expenditure	(1,434)	27,752
Balance as at 31 March 2005		37,458

5. PENSIONS RESERVE

The movement in the Pensions Reserve for the year to 31 March 2005 is as follows:

Movement in Surplus/Deficit During Year	£000's
Surplus/(deficit) at 1 April 2004	(5,635)
Current Service Cost	(1,100)
Employer Contributions	870
Contributions in Respect of Unfunded Benefits	150
Other Income	0
Other Outgoings (e.g. expenses)	0
Past Service Costs	0
Impact of Settlements and Curtailments	(342)
Expected Return on Assets	2,050
Interest Costs	(1,930)
Actuarial gains/(losses)	(6,580)
Surplus/(Deficit) at 31 March 2005	(12,517)

The actuarial losses can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

Analysis of Actuarial Gains/(Losses)	£000's	%
Difference between the expected and actual return on assets.	1,800	5.5%
Difference between actuarial assumptions about liabilities and actual experience	(1,140)	2.5%
Changes in the demographic and financial assumptions used to estimate liabilities	(7,240)	16%
Actuarial gain/(loss)	(6,580)	14%

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.
- ◆ To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ Approve the Statements of Accounts.

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 Great Britain ('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 2005.

In preparing this Statement of Accounts the Director of Resources 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 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

Statement of Internal Control

1. SCOPE OF RESPONSIBILITY

Kennet 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 in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility Kennet District Council is also responsible for ensuring that there is sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurances 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 system of internal control has been in place at Kennet District Council for the year ended 31st March 2005 and up to the date of approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are described below:

Establishing and Monitoring the Achievement of the Authority's Objectives

The Authority's objectives are set out in the Council's Corporate Strategy, which clearly sets out the Council's vision and key priorities. The Corporate Strategy details objectives under each of the key priorities.

In addition, there are four Local Strategic Partnerships (LSP's) within the Kennet area based on the four main community areas of Devizes, Marlborough, Pewsey and Tidworth. Each of these LSP's has developed a Community Plan, which is the result of wide consultation. Representatives from the voluntary and private sectors have worked with councillors from Kennet District Council, Wiltshire County Council and Devizes Town Council in putting together a plan that will improve the quality of life for the people who live, work or study in the relevant Community Area.

The Corporate Strategy is the key planning document – from which a number of additional plans are developed in support of it. These include the medium term financial plan, the capital strategy, the asset management plan and the housing strategy.

Performance against the agreed objectives and actions is reviewed formally by the Overview and Scrutiny Management Board and published in the Best Value Performance Plan on 30th June 2005.

Facilitation of Policy and Decision-Making

The Council has a formally published Constitution, which incorporates the Scheme of Delegation and sets out the decision-making arrangements and responsibilities of the Authority. There are clear rules of procedure for the running of business meetings and details of delegated authorities to individuals. There is also a robust budget and policy framework and detailed financial regulations, which are monitored by the Chief Financial Officer and the Monitoring Officer. The constitution is updated continually to reflect any changes in structure.

In addition to the Full Council, much of the Authority's decision making has been delegated to the Council's Executive Committees;

- Resources Executive Committee
- Community Development Executive Committee
- Planning Policies Executive Committee

The role of each of these is to develop policies and services within the framework of the corporate strategy and policies.

The Overview and Scrutiny Management Board is formally responsible for developing and reviewing policy, holding the decision-makers to account and also reviewing the performance of the Council and Executive Committees.

In addition to the above, there is also the Regulatory Committee, which is remitted to take certain decisions delegated from the Full Council. In general, these comprise planning and licensing decisions.

In addition to the powers delegated to certain Committees, the Council operates a scheme of delegation for decision making to officers. The details of this are included in Part III of the Constitution

All reports are reviewed for legal and financial considerations prior to being presented to Members of the Council for formal decision-making.

The Council has agreed a Forward Plan of Work to be completed, and meet in public on an 8 weekly cycle. This, together with an appropriate level of delegation to senior managers enables speedy decision making.

The Corporate Management Team of the Council meet on a fortnightly basis and provide the strategic direction of the Council in delivering the requirements of the Members.

Ensuring Compliance with Established Policies, Procedures, Laws and Regulations

Kennet District Council has a Standards Committee whose roles and functions include:

- Promoting and maintaining high standards of conduct;
- Advising and training Members on the Code of Conduct;
- Monitoring of the Code of Conduct;
- Receiving the details of complaints referred to the Authority from the Standards Board for England;
- Dealing with any issues raised by the Monitoring Officer.

The Council recognises the importance of the principles of Corporate Governance and the need to apply them across all areas of the Authority's corporate activities. The specific details of how this will be achieved are reported in the Best Value Performance Plan published on 30th June 2005. The arrangements in place are reviewed regularly against the guidelines issued by CIPFA/SOLACE and findings reported to Committee annually. In addition, the Council has a formally adopted Whistle Blowing Policy.

The Chief Financial Officer and Monitoring Officer have specified roles within the Constitution to ensure reports prepared for member decision comply with the budget and policy framework.

Internal and external audit work together to review and provide annual opinions of the control framework, governance and validity of the annual accounts. The Council is also subject to various other inspections, for example by the Audit Commission and the Benefit Fraud Inspectorate.

Each Member receives copies of the meeting Agendas. As one of the Agenda items for each meeting, the Members are required to declare any interests at the outset of the meeting. In addition, Members are encouraged to undertake any training relevant to the area of decision-making in which they are involved.

The Corporate Risk Management Process

The Council has had an active Risk Management Group (RMG) since 1994. The terms of reference for the group were revised in 2002/03, following a strategic risk profiling exercise in 2002. The Council has now developed a Strategic Risk Implementation Plan. The process adopted is designed to identify, prioritise and manage the risks that exist in order to ensure the Council achieves its aims and objectives. The RMG is charged with embedding the risk management process throughout the organisation.

To date the strategic risks that have been identified have been prioritised and a full Risk Register has been developed. The key risks identified have been assigned to a Service Manager, who is responsible for developing an appropriate action plan to combat the risk. Each Service Manager will be required to report their progress to the Risk Management Group.

As part of the annual service planning process, Service Managers are required to identify the top five operational risks affecting their services and to prepare an appropriate action plan to mitigate these risks.

Ensuring the Economic, Effective and Efficient use of Resources, and for Securing Continuous Improvement in the way in which its Functions are Exercised

In accordance with the requirements of the Local Government Act 1999, the Council agreed a programme of Best Value Reviews to ensure the economic, effective and efficient use of resources and for securing the continuous improvement in the way in which its functions are exercised.

The programme was developed over a number of years and the focus of the reviews has become more strategic, tackling cross-cutting issues as well as operational areas. The programme of reviews and overall performance and progress against the action plans produced is monitored by the Overview and Scrutiny Management Board and was reported in the Best Value Performance Plan (BVPP) published on 30th June 2005.

As part of the BVPP, the Council reports its performance against a variety of performance indicators (PI). Some of these are nationally set as Best Value Performance Indicators and others have been set locally. The Council sets three year targets for each PI. The purpose of these indicators is to measure the Council's performance and progress over time, with a view to promoting continuous improvement.

In addition to the requirements of Best Value, the Council is now required to comply with the requirements of the Efficiency Review programme and to achieve a target of 2.5% efficiency gains for each of the next three years (2005 to 2008).

Following the results of the Council's CPA Inspection in January 2004, when the Council was assessed as "good", the Council has developed a strategic CPA Improvement Plan that has been agreed with the Audit Commission.

Performance Management

The Council has a formal performance management framework in place providing links from the corporate objectives of the Authority, the budget and work planning process and the Annual Service Delivery Plans.

As part of the budget cycle, each Service Manager produces a Service Delivery Plan, which is presented to Members for approval, in conjunction with the Council priorities and financial resources. Performance Indicators are set at a national and local level and targets agreed for the coming three years. Once the Service Delivery Plans and budgets have been finalised and approved by Committee, employee development reviews, agreeing individual targets, take place.

Performance against performance indicator targets is monitored on a quarterly basis by managers and the Management Team, in order that corrective action can be taken.

In addition, within the BVPP, there is a formal link made between the objectives of the Council and how this will be achieved and measured.

Financial Management

The Council's overall financial arrangements are governed by its Medium Term Financial Plan, which sets out the financial framework for the delivery of the Council's strategies and plans. In determining the revenue and capital financial framework, a number of factors are taken into account including the national context, the distribution of local government funding from central government along with other local and external funding sources.

This is supported by robust budget setting and monitoring arrangements and detailed financial regulations, which form part of the Constitution. All spending departments are required to monitor their budgets on a monthly basis, in consultation with the Corporate Finance section. Spending departments are responsible for their expenditure (and income) and are therefore accountable to Members for their budgets.

The Council has in place a detailed service planning process that feeds into the budget setting system. Service Managers are required to prepare Service Delivery Plans on an annual basis.

The Council manages its investments within the guidelines of its Treasury Management Policy Statement and Annual Investment Strategy, which is approved by Members on an annual basis.

4. REVIEW OF EFFECTIVENESS

Kennet District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the Management Team within the Authority, who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the External Auditors and other review agencies and inspectorates

The key features of the Council's internal control framework are:

The Authority

The key formal document governing the internal control framework for the Authority is its Constitution. All delegation of decision-making is made in accordance with the requirements of the Constitution and the Scheme of Delegation, which forms part of the Constitution.

The formal rules governing the way in which the Council, its Committees and Officers conduct their business are also set out as part of the Constitution and include:

- Budget & Policy Framework
- The Financial Regulations
- Rules of Procedure for Council & Committee Meetings
- Access to Information Procedure Rules

Comprehensive Performance Assessment (CPA)

The Audit Commission carried out a CPA Inspection of the Council in January 2004. The Council was assessed as "good" with financial performance scoring 4 out of a maximum of 4. All of the improvements recommended following the CPA are being actively pursued as part of a strategic improvement plan.

Risk Management

The Council has had a Risk Management Group for a number of years and has adopted a strategic approach to risk management. This was reviewed in 2002 with the assistance of external advisors, resulting in a Strategic Business Risk Analysis. From this the Council has been able to prioritise its key risks and produce a formal risk register, allowing a corporate approach to risk management to be adopted.

Internal Audit

The role of internal audit is to review the internal control framework which governs the operations of the Council and, in so doing, provide an independent opinion to both management and members of the Authority on the robustness of the Council's control environment.

The Internal Audit function of the Council is delivered by the Internal Audit Team. The work of the team complies fully with the requirements of CIPFA's Code of Internal Audit.

An Audit Plan is developed every 3 years, which is based on a risk assessment of all the services/systems of the Council. Service Managers are directly involved in the development of the plan. The plan identified the audits to be completed, including core fundamental systems and other operational systems. The plan is devised in consultation with the Council's external auditors, the Audit Commission.

The Audit Team reports directly to the Management Team Audit Board (MTAB) on a quarterly basis, whose membership includes the senior management team and Member representatives from the Resources Executive Committee. MTAB approves the Audit Plan and monitors the performance of the Audit Team and progress against audit recommendations. The MTAB reports annually to the Resources Executive Committee. They report the Audit opinion of each audit completed during the year to the Committee.

Formal Annual Review

In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included the collation of assurances from all service managers and directors on the effectiveness of the internal control environment.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control operated by the Council and a plan is in place to address weaknesses and ensure continuous improvement of the system.

The Authority has assessed its systems and procedures and has identified that in the vast majority of cases robust arrangements are already in place. However, a number of improvements have been identified that would enhance the internal control environment. The Resources Executive Committee has approved an action plan to address these points.

Responsibilities for Statutory Obligations

The Council does have a formally approved and published constitution and Scheme of Delegation, which outlines the roles and responsibilities of both officers and committees. However, it is not clear if the job descriptions of key officers reflect their statutory responsibilities or responsibilities under the constitution or scheme of delegation.

Action Required:

A review of the job descriptions of key officers should be carried out to ensure that they reflect their statutory obligations and those under the Council's constitution.

Communication and Consultation

Whilst the Council has and does consult and communicate with its key stakeholders on its objectives, there has been limited consultation on its use of resources (service provision against cost).

Action Required:

The Council should investigate a formal system of consultation on its use of resources.

Corporate Governance

The Council does have a Code of Corporate Governance. Training on Corporate Governance is provided to key new members of staff as part of their induction process. However, there appears to be no specific training provided for Members of the Authority on Corporate Governance.

Action Required:

Specific training on Corporate Governance should be arranged for all Members of the Authority.

Risk Management

Although the Council has a corporate Risk Management Group and Risk Register, further work could be done to improve the extent to which Risk Management has been embedded within the Authority.

Action Required:

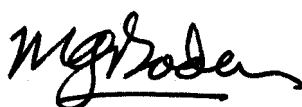
- A Risk Management Training programme should be developed and delivered to all key staff;
- Key officers job descriptions should be reviewed and revised to include their risk management responsibilities;
- Partnership working arrangements should be reviewed to ensure that risk identification and management is adequately covered;
- The Health & Safety Policy should be formally approved.

Corporate Complaints Policy/Procedure

The Council has a formal Complaints Policy/Procedure, but evidence could not be found that it had been approved or that a complaints register was kept.

Action Required:

The Complaints Policy/Procedure should be reviewed, revised as appropriate and formally approved.



Mark Boden
Chief Executive



Cllr Chris Humphries
Leader of the Council

