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Foreword to the Statement of Accounts

Foreword to the Statement of Accounts

1. Introduction

This document sets out North Dorset District Council's annual accounts for the year 2005/06. Although the financial position is regularly monitored and reviewed throughout the year, the Statement of Accounts brings together the financial results of all the Council's operations for the whole of the financial year 2005/06.

The accounts have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005 (the SORP), and the Best Value Accounting Code of Practice (BVACOP) jointly developed by CIPFA and the Accounting Standards Board. The code constitutes "proper accounting practice" which local authorities must comply with by statute. The 2005 code includes the requirements of the Accounts and Audit Regulations 2003.

2. The Council's accounts

The accounts are divided into seven sections as detailed below.

Section 1 – Statement of Accounting Policies

This explains the basis of the figures in the accounts

Section 2 – Consolidated Revenue Account

This reports on the income and expenditure for the year and highlights the costs of the major functions for which the Council is responsible.

Section 3 – Consolidated Balance Sheet

This is fundamental to the understanding of the Council's year-end financial position. It shows the balances and reserves position, the net current liabilities employed in its operations and summarised information on the fixed assets held. It also includes the Collection Fund balance.

Section 4 – Statement of Total Movement in Reserves

This statement brings together all the recognised gains and losses of the authority, which are identified as movements in capital and revenue reserves.

Section 5 – Cash Flow Statement

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Section 6 – The Collection Fund

This account shows the transactions for Council Tax and National Non-Domestic Rates and how the amount collected has been distributed to preceptors and the General Fund.

Glossary

The accounts include some technical terms, which are explained in the Glossary on pages 63 to 66.

1. Summary of the 2005/06 financial year

The Council incurs both revenue and capital expenditure in the year. Revenue spending is generally on items which are consumed within a year (such as salaries) and is financed from Government grants, Council Tax, National Non-Domestic Rates and other income. Capital expenditure (such as re-roofing of Council buildings) is incurred on items that have a life beyond one year and is financed from grants, capital receipts and other contributions. Services incur capital charges based on depreciation and a notional interest charge. These transactions flow through the Asset Management Revenue Account (AMRA), see page 27. For further information on capital accounting arrangements see the Statement of Accounting Policies on pages 17–23.

a) Revenue Spending 2005/06

(i) The revenue budget for 2005/2006

Each year the Authority prepares a revenue budget which contains estimates of expenditure and income. When the budget for 2005/06 was prepared it was done so on the basis of a zero based budget methodology. This method of budgeting was used to provide more control from senior management, resulting in a tightening of spending.

In February 2005 the Council set a net revenue budget of £6,276,200 for the 2005/2006 financial year and a Band D rate of Council Tax of £98.00. This represented an increase of £18.50 (23.9%) over the previous year's tax level of £79.50.

Central Government had requested that increases should be kept to below 5% or consideration would be given by the Government to using its capping powers to restrict what would be considered excessive increases. On 23 March 2005 the Council was notified that it had been designated under Section 52 of the Local Government Act 1992. This meant that the First Secretary of State would set the maximum budget requirement for the Council or would be nominating the maximum budget requirements for 2006/2007.

The letter from the Deputy Prime Minister stated that he considered our budget requirement for 2005/2006 to be excessive because it had increased by more than 6% and Council Tax had risen by more than 5.5%. He therefore proposed to cap the budget requirement at £5,912,000 (an increase of 6%) which would produce a Band D Council Tax of £83.83, an increase of 5.5%. This new requirement was subsequently approved at a meeting of the full Council on 4 August 2005.

(ii) Council Tax calculation

The Council Tax is the main source of local revenue. The other main sources of incomes are the Government determined National Non-Domestic Rates and the Revenue Support Grant. The amount to be raised from the Council Tax is calculated as follows:

	£
North Dorset District Council's Net Budget Requirement	5,912,000
Less: Revenue Support Grant	(1,867,000)
National Non-Domestic Rates received from the national pool	(1,848,600)
General Fund services to be met from Council Tax	2,196,400
Less: Surplus on the Collection Fund	(41,800)
Add: Parish Precepts	1,223,700
Total to be met from Council Tax	3,378,300

Forward to the Statement of Accounts

The actual Council Tax is determined by dividing the net amounts to be met from Council Tax by the tax base, which for North Dorset District Council is 25,700.2. This then equates to the following Council Tax at Band D:

	£
North Dorset District Council's Demand	83.83
Add other Parish Preceptors' requirements	47.62
Council Tax for Band D	131.45

Further information on the Council Tax can be found in Section 6 on the Collection Fund (pages 59 – 62)

(iii) Budget review and out-turn

The following table shows a comparison between the revised budgets and out-turn for the 2005/06 financial year. (Note: the capital charges for fixed assets and deferred charges have been netted off against service expenditure).

	Revised Estimate 2005/06 £	Actual 2005/06 £
Net Expenditure	7,833,040	8,114,464
Net Pension Adjustment	0	(79,000)
Contribution to/(from) Reserves	(1,078,200)	(1,223,600)
Less: Interest Earned	(843,000)	(1,071,990)
Sub-total	5,911,840	5,739,874
Parish Precepts	1,223,700	1,223,725
Sub-total	7,135,540	6,963,599
Added to / (taken from) Balances	0	172,783
To be met from Council Tax and External Funding	7,135,540	7,136,382
External Funding		
- Revenue Support Grant	1,867,000	1,866,985
- National Non-Domestic Rates	1,848,600	1,848,649
- Collection Fund Surplus	41,800	42,575
Sub-total	3,757,400	3,758,209
Precept on Collection Fund	3,378,140	3,378,173
Total	7,135,540	7,136,382

Foreword to the Statement of Accounts

During 2005/2006, Cabinet received regular financial monitoring reports to enable it to ensure spending was being kept within approved budgets, or to take corrective action if this was not the case. At the end of the 2005/2006 financial year there was a net surplus of £172,783 on the Consolidated Revenue Account that has been added to the General Fund Balance.

Investment income was higher than anticipated from the original budget. This was due to better than expected cash flow and sound investment decisions. Actual investment income exceeded budget levels by £228,990

The amount transferred from reserves was £1,223,600. This was made up of an amount of £988,600 which was agreed as part of the budget process and an additional amount of £235,000 which was agreed by Council for repairs to a number of industrial units.

During the budget process, a risk assessment undertaken by the Financial Services Manager identified that an adequate level of General Fund reserves for the Council would be in the order of £780,000. As at the 31 March 2006 the actual General Fund balance was £838,741. In addition to the General Fund the Council has other revenue reserves which total £2,037,610. A further review as to the adequate level of reserves will be undertaken in future years and transfers between the General Fund and revenue reserves will be made where appropriate.

b) Capital Spending

A summary of capital expenditure and its financing compared to the provisional programme budget is shown below:

	2005/06 Provisional Programme £	2005/06 Actual Out-turn £
CAPITAL EXPENDITURE		
Access, Communication & Consultation	275,000	10,830
Community	1,636,939	552,553
Corporate Management	769,103	1,330,499
Economy	427,000	278,884
Environment	1,976,298	810,105
Leadership and Community Planning	1,500,000	685,270
Total capital expenditure to be financed	6,584,340	3,668,141
CAPITAL FINANCING		
Grants and Contributions	1,744,000	1,149,130
Capital Receipts	4,840,340	2,519,011
Total capital financing	6,584,340	3,668,141

The provisional capital programme was agreed as part of the budget process. A number of projects have yet to start and will be reviewed in accordance with the Council's priorities and slipped to the 2006/2007 financial year where appropriate.

The overspend on Corporate Management relates to the continued programme of developing and replacing a number of current IT systems.

Forward to the Statement of Accounts

c) Pensions

Since the financial year 2004/2005 the Council has had to comply in full with FRS 17. As a result the Pensions Reserve shows a deficit of £9,461,000. This has decreased from £9,494,000 as at 31 March 2005. Note 25 to the Consolidated Balance Sheet shows how the reduction has been calculated.

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

The Financial Services Manager's Responsibilities

The Financial Services Manager is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2006).

In preparing this Statement of Accounts the Financial Services Manager has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the code

The Financial Services Manager has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

CERTIFICATION OF THE STATEMENT OF ACCOUNTS

In my opinion the Statement of Accounts presents fairly the financial position of North Dorset District Council at 31 March 2006, and its income and expenditure for the year then ended.

B. Marshall, M. Sc., ACMA
Financial Services Manager
28 June 2006

Certification by Chairman of North Dorset District Council

I confirm that these accounts were approved by the Accounts and Audit Committee at the meeting held on 28 June 2006.

Signed on behalf of North Dorset District Council:
Chair of meeting approving the accounts: Cllr. I. Stewart _____
Date: 28 June 2006

Statement on the System of Internal Control

Scope of responsibility

North Dorset 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

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 assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

The internal control environment

The Council has an established system of internal control that is monitored and reviewed on a regular basis.

Key elements of the control system are detailed below –

Establishing and monitoring the achievement of the Council's objectives

The Council has set out its strategic objectives and priorities for the year in the Corporate Improvement Plan. These show how the Council will implement the Dorset Community Strategy, the Improvement Plan and Local Community Plans. Leading from the Corporate Plan are individual business plans which set out to deliver the objectives and targets in the Corporate Plan together with other priorities for each service to meet statutory requirements. These are reflected in individual's priorities, set in their Staff Performance Review. Performance is monitored and managed at different levels within the Council including individual, business and Member level throughout the year.

Facilitation of policy and decision making

The Council's Constitution sets out how the Council operates, how and by whom decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. Full Council sets the overall budget and policy framework of the Council, Cabinet makes decisions within this framework and is held to account by the Overview and Scrutiny Committees. The Political Management Panel reviews the Constitution during the year and the Standards Committee monitors complaints, and actions taken as a result.

The Community Planning Protocol sets out the relation between the Council and community political leadership; Government agreements with the County Council set out the relation to the Dorset Strategic Partnership, the LAA and the Rural Pathfinder.

Statement on the System of Internal Control

Ensuring compliance with established policies, procedures, laws and regulations

Managers within the Council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations and provide annual assurance of the effectiveness of these controls. Policies are subject to regular review and include implementation plans and evaluation criteria to monitor effectiveness. Compliance with operational procedures is reviewed by Team Leaders on a day by day basis and compliance with corporate policies is reviewed on a monthly basis. The Senior Management Team review overall compliance through monthly one to one meetings with their Team Leaders and by reviewing any incident of a lack of compliance at the Senior Management Team meeting. Lack of compliance with potentially serious impact is reported to the Leader and relevant Portfolio Holder.

Risk management

The Council has given a high profile to risk management as a key element of its control processes and has ensured that all key Members, Senior Managers and Team Leaders have had risk management training; risk management is also incorporated as a module within the management and supervisory development programme and uses external support. The Council has used a 'challenge' process to identify risks and mitigation actions: (1) Member and manager facilitated workshops to discuss strategic risks; (2) Team Leaders' individual 'workshops' to discuss operational risks. For the past three years, business plans have included a risk register. These are reviewed at least annually. The Council's project management methodologies which are based on PRINCE II methodologies are underpinned with risk management and have successfully delivered a large number of projects for the Council.

The risk management system is subject to regular review by the senior management team and by the Council's Accounts and Audit Committee.

Ensuring the economical, effective and efficient use of resources and for securing continuous improvement

Through its business planning, financial planning and performance management processes the Council ensures that resources are used economically, efficiently and effectively. These include two officer 'star chamber' processes to discuss (1) budgets, and (2) business plan targets. The business plans are reviewed by Cabinet and performance is monitored regularly by Portfolio Holders in monthly meetings. Scrutiny holds Portfolio Holders to account for the use of resources and performance in their area. There is an annual review workshop for all councillors on business plans and budgets to challenge the use of resources.

The Council takes seriously reports made by the Audit Commission and other inspectorates and implements agreed actions in response to recommendations made.

Financial management

A five-year financial plan is in place to direct resources towards the Council's priorities and identifies budget pressures. Annual budgets are set by Members following wide consultation with stakeholders through budget workshops and an appreciation of the risks of particular decisions. Budgets are managed by delegated budget holders in accordance with finance regulations, reports are submitted to budget holders and Members on the position against both revenue and capital budgets and corrective action taken where necessary.

Financial performance is monitored by General Managers in one to one meetings with Team Leader budget holders, and by the Chief Executive in one to one meetings with Senior Management Team members. Portfolio Holders are held accountable for meeting financial targets in their portfolio areas by Scrutiny.

Human Resources

The Council has adopted a People Strategy, to guide the effective use of human resources in recruitment, retention and development of skills. Policies, procedures and controls have been thoroughly reviewed and managers have been trained and coached in their use, using external advice where necessary. The Council is now proceeding to develop a workforce development plan.

Statement on the System of Internal Control

Health and Safety

The Council has a committee led by a General Manager to keep Health and Safety risks and preventative actions under continual review. Quarterly monthly reports are made to Senior Management Team and to Cabinet. Every accident leads to a review of practices and procedures. In the last two years, accidents have occurred but the Health and Safety Executive were satisfied that the processes and procedures in place were fully adequate. However, the Council did make improvements to training and record keeping as a result of its own review, using an external adviser.

Performance management

The Council reports publicly on performance through the Best Value Performance Plan and the Statement of Accounts. Performance is monitored by management and Members on a quarterly cycle during the year. Improvements continue to be made to the performance management system and during 2005/06 the Covalant Performance Management system was implemented to improve reporting. Portfolio Holders meet Team Leaders on a monthly basis to receive progress reports and are themselves held to account by the Scrutiny Committee..

Decision Making

All reports to Cabinet/regulatory committees or Council have to comply with a template in order to meet statutory requirements in decision making. All reports are "cleared" by financial and legal qualified officers and reports to Cabinet go through a high level 'clearance' meeting to meet quality standards.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This is undertaken by the Senior Management Team, led by the S151 Officer and by the Audit Committee. The review of the effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers within the Council 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 Council has shown significant improvements during the year and this is recognized by the reports by the Audit Commission on the Council's progress and direction of travel

The Accounts and Audit Committee reviews the effectiveness of the internal control system. The Accounts and Audit Committee also receives the Annual Audit and Inspection Letter from the Audit Commission, approves the Annual Statement of Accounts and receives regular reports from Internal Audit on the work they have been undertaking in delivering the annual internal audit plan.

Members of the senior management team have provided assurance on the effectiveness of internal controls systems within their service areas, taking account of performance, financial and risk management systems in place; the outcome of reviews and audits; the objectives of the service area; the efficient, effective and economic use of resources and compliance with the law, policies and procedures. The Senior Management Team has identified a number of areas which require further development. A member of the team is given the role of corporate risk lead officer, currently the Chief Financial Officer.

The Council's Chief Financial Officer and Monitoring Officer have also provided assurance that there have been no significant internal control issues that have required the need for formal action in their respective roles; significant additional funding; had a material impact on the accounts or resulted in significant public interest, damaging the reputation of the Council.

The internal audit section is a directly employed in-house service although the audits for information technology are sub-contracted to Dorset County Council's Audit and Consultancy Services. This enables the Council to provide a continuous review in accordance with its obligations under the Local Government Act 1972 and the Accounts and Audit Regulations 2003. The internal audit section operates under the APB (Auditing Practices Board) Guidelines and CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Internal Audit in Local Government.

Statement on the System of Internal Control

The Senior Auditor reports to the Section 151 officer. However, in accordance with best practice they also have the authority to report to the Chief Executive, the Chairman of the Accounts and Audit Committee, Leader of the Council or directly to the Audit Commission.

The Senior Auditor reports twice yearly to the Accounts and Audit Committee on work undertaken by the Internal Audit department. The Senior Management Team also review audit reports throughout the year and monitor actions taken as a result. The Audit Commission has stated that they can rely on the work undertaken by the Council's Internal Audit

The annual report on corporate governance to the Accounts and Audit Committee provides assurance from the Council's Section 151 Officer. Key strategic and operational risks have been identified, monitored and reviewed during the year. Key controls to mitigate the identified risks have operated effectively throughout the period April 2005 – May 2006. The review of strategic risks undertaken in June 2006 showed the key risks had been effectively mitigated over the year 2005/06

The Leader of the Council and the Chief Executive have been advised on the implication of the results of the review of the effectiveness of the system of internal control by the Accounts and Audit Committee, and plans to address weaknesses and ensure the continuous improvement of systems are in place. The Senior Management Team have reviewed the risks to the Council and considered them in the light of the internal controls required to manage those risks.

Significant Control Issues

The Council is required to report upon any significant internal control issues and has during the year identified a number of areas for improvement through its reviews of internal control, corporate governance and risk management and from external reports.

Issue	Action
Further embedding risk management into the organisation	Introduce an additional report to Members from internal audit on the implementation of risk management processes e.g. that appropriate actions for moving risks from high likelihood to low likelihood. Risk management to be introduced as a mandatory agenda item for General Manager meetings with staff. Annual assurance statements to be signed by managers and team leaders will introduced during the 2006/07 financial year. Reports reviewing the management of risks will be taken to Cabinet on a six monthly basis.
Since 2003, the Council has reviewed and revised its control procedures and control environment. Most regulations, policies and procedures have now been adopted and implemented but there are some elements still to be completed	The use of registers of gifts and hospitality to be made more visible and training to be given to Members and staff. Further training on contract standing orders. Revised scheme of delegation to be adopted and suite of personnel policies and procedures to be completed. Training on the Assurance Framework and SIC.
The Council's procurement resources need further resourcing	The correct procurement improvement plan to identify funding to procurement support as a priority project.
There is a need to ensure existing and new partnerships have agreements which safeguard the Council and secure high performance	Development of a template of partnership governance arrangements. The partnership section of the financial regulations to be reviewed to ensure it provides adequate guidance and safeguards for the Council entering partnerships. Officer/Member training to be undertaken on the issues and risks that can arise from partnership work, joint working and shared service arrangements.

Statement on the System of Internal Control

There is a need to further embed the performance management framework within the organization; to ensure the Council's performance improves and the key financial risks are addressed.	Poorly performing services will be 'hot housed' by the Senior Management Team. The processes are in place, although more meaningful local indicators could be developed in some services. The monitoring of the Corporate Plan will enable a more holistic picture of the Council's performance. Monitoring of the Tough Choices Programme, which is one of the key actions to mitigate the principal strategic risks to the Council.
Collection of Sundry Debtors	Improving the overall management of debt control processes.
Cash reconciliations	Improving processes for regular cash reconciliation.
Management of assets	Development of a formal plan to reduce the backlog of maintenance together with a monitoring process for members and development of a plan for future management or a disposal of assets
Further development of value for money challenges	Seek close working with family group members in the development of the Council's value for money challenge process. Improve cost information of services by introducing a pilot time recording system. Increase information on customer satisfaction.
A need to ensure business continuity if emergency incident occurs, or if a fire occurs in the main building	Work has started on a business continuity plan and will be developed through the year. Electronic information will be stored off site; work is continuing on the move from paper to electronic filing.
A need to be able to respond to changes in employment in the area	Work with partners to identify employment sites and lobby for the future of Blandford Camp
Focused resources	Strengthen the links between the corporate planning process, business planning and financial planning to ensure robust accountability for the use of resources.
The Council has made a major investment in ICT and is now embarking on a programme of business transformation throughout the Council. The interfaces and interconnectivity between these systems and in particular those involved with financial transactions is considered to be an area of potential risk.	An on-going process for reviewing the internal system controls and in particular financial control will be established and if any controls are found to be insufficiently robust, appropriate actions will be taken. The results of this review will be reported regularly to senior management team and members as part of Council's risk management process.

Liz Goodall
Chief Executive

Cllr. David Whitehead
Leader of the Council

Independent Auditor's report to North Dorset District Council

Opinion on the Financial Statements

I have audited the financial statements of North Dorset District Council for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to North Dorset District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Statement of Accounts presents fairly the financial position of the Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005.

I review whether the Statement on Internal Control on pages 10 to 14 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the Statement on Internal Control covers all risks and controls. I am also not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risks and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

Independent auditor's report to North Dorset District Council

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

Opinion

In my opinion the Statement of Accounts presents fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of North Dorset District Council as at 31 March 2006 and its income and expenditure for the year then ended.

Martin Robinson, District Auditor

Date: 27 September 2006

Audit Commission

50 South Street

Dorchester

DT1 1DQ

Section 1

Statement of Accounting Policies

2005/2006

Statement of Accounting Policies

1. General Principles

The statement of accounts summarises the Council's transactions for the 2005/2006 financial year and its position at the year-end of 31 March 2006. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2005 (“the SORP”). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

3. Provisions

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

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

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

4. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the Consolidated Revenue Account after the Net Operating Expenditure line. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Costs of Services. The reserve is appropriated back into the Consolidated Revenue Account after Net Operating Expenditure so that there is no net charge against the council tax for the expenditure.

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

5. Government Grants and Contributions (Revenue)

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

6. Retirement Benefits – The Local Government Pension Scheme

Employees of the Council are members of the Local Government Pension Scheme, administered by Dorset County Council. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Dorset County Council pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9%.
- The assets of the Dorset County Council pension scheme attributable to the Council are included in the balance sheet at their fair value.
- The change in the net pensions liability is analysed into seven components:
 - Current service costs – the increase in liabilities as a result of years of service earned this year – allocated to the revenue accounts of services for which the employees worked.
 - Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services as part of Non-Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure.

Statement of Accounting Policies

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Service as part of Non-Distributed Costs.
- Actuarial gains and losses – change in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – not charged to revenue.
- Contributions paid to Dorset County Council pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Consolidated Revenue Account this means that there is an appropriation to the Pensions Reserve after Net Operating Expenditure to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

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

7. Value Added Tax (VAT)

Income and expenditure excludes any amount related to VAT, as all VAT collected is payable to HM Revenue and Customs and most of the VAT paid is recoverable from them.

8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2005. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost, if any, of discretionary benefits awarded to employees retiring early.

These two cost categories are accounted for as separate headings in the Consolidated Revenue Account, as part of Net Costs of Services.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it brings benefits the Council for more than one financial year. The balance is amortised (written off) to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Statement of Accounting Policies

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

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

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

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Revaluation of operational and non-operational fixed assets are planned on the basis of a 5 year rolling programme, although material changes to asset valuations will be reflected as they occur. Increases in valuations are matched by credits to the Fixed Asset Restatement Account to recognise unrealised gains.

Impairment: the values of each category of assets and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of the review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account.
- Otherwise – written off against the Fixed Asset Restatement Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Fixed Asset Restatement Reserve.

Amounts in excess of £5,000 received from disposals are credited to the Usable Capital Receipts Reserve, which can then only be used for new capital investment or set aside to reduce the Council's borrowing requirement.

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

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight line over the life of the property as estimated by the qualified value – asset lives vary from 20 to 40 years.
- Community assets and development land - straight line over the life of the property as estimated by the qualified value – asset lives are estimated to be 100 years.

Statement of Accounting Policies

- Vehicles, plant and equipment - straight line over the estimated life of the asset – asset lives vary from 3 to 5 years. Depreciation is charged in the year of acquisition.

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

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

11. Charges to Revenue for Fixed Assets

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

- Capital charges on tangible fixed assets – comprising depreciation attributable to the assets used by the relevant service, plus a capital financing charge based on a percentage of the value of the asset in the balance sheet (3.5% and 4.95% for assets carried at value and historic cost respectively).
- Impairment losses attributable to the clear consumption of economic benefit on tangible fixed assets used by the service.
- Amortisation of intangible fixed assets attributable to the service.

The charges made to service revenue accounts, support services and trading accounts are reversed out of the Consolidated Revenue Account after the Net Cost of Service by way of a credit to Asset Management Revenue Account (AMRA). The following transactions are then made in the AMRA to represent the expenditure of the Council relating to fixed assets, reflected in Net Operating Expenditure:

- Debit for total depreciation of fixed assets for the year.
- Credits for amortisations from the Government Grants Deferred Account.
- Debits for total impairment losses, if any, attributable to the clear consumption of economic benefits and amortisations of intangible fixed assets.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. Therefore, these are replaced by revenue provision after Net Operating Expenditure, by way of an adjusting transaction within the Capital Financing Account.

12. Deferred Charges

Deferred charges represent expenditure that may be capitalised but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged to the Consolidated Revenue Account so there is no impact on the level of council tax.

13. Leases

Finance Leases: The Council currently has no finance leases

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

14. Investments

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Consolidated Revenue Account if this is unlikely to be a temporary fall.

15. Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost or net realisable value. If any works in progress arises, it will be subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

16. Charitable Trust Funds

The Council is currently trustee of the Gillingham Swimming Bath Charity, which forms part of the Gillingham Leisure Centre. Under the Charity Regulations the Council will have to submit an annual return to the Charity Commission and also produce a separate annual report, including an audited set of accounts for the above-named charity.

17. Housing and Council Tax Benefit

The following accounts have been prepared using estimated figures for Housing and Council Tax Benefits. Any variations in the final amount claimed will impact on the level of the Council's balances. It is not anticipated that any variation will have a material effect.

18. Estimation Techniques

The cost of the Council's support services are fully recharged to services. Charges are based on estimated time allocations with the exception of administrative building costs (gross salaries establishment basis) and computer services (staff numbers). Other overheads are dealt with in accordance with CIPFA's Statement on Accounting for Overheads and the Best Value Accounting Code of Practice.

Section 2

Consolidated Revenue Account

2005/2006

Consolidated Revenue Account

The Consolidated Revenue Account sets out the revenue expenditure and income for all the Council's services. The service headings follow CIPFA's Best Value Accounting Code of Practice 2005.

Consolidated Revenue Account for the year ending 31 March 2006

2004/05		2005/06		
Net Expenditure £	Service	Gross Expenditure £	Gross Income £	Net Expenditure £
6,003,054	Cultural, Environmental and Planning Services	8,779,176	2,540,241	6,238,935
238,341	Highways, Roads and Transport Services	603,112	352,316	250,796
1,147,985	Housing Services	11,021,637	9,599,675	1,421,962
695,993	Central Services to the Public	4,408,284	3,385,364	1,022,920
1,283,755	Corporate and Democratic Core	1,620,037	266,816	1,353,221
9,369,128	Net Cost of Services	26,432,246	16,144,412	10,287,834
1,093,440	Precepts Paid to Parish Councils			1,223,725
84,474	(Surplus) / Deficit from Trading Operations	Note 3		331,362
(550,593)	Transfer to / (from) Asset Management Revenue Account	Note 4		(588,779)
(1,031,219)	Interest Receivable			(1,071,990)
370,000	Pension Interest Cost and Expected Return on Pension Assets	Note 11		302,000
9,335,230	Net Operating Expenditure			10,484,152
	Appropriations			
(1,002,923)	Net Contributions to / (from) Reserves	Note 5		(1,223,600)
255,520	Government Grants Deferred			372,363
(1,098,794)	Depreciation Adjustment			(1,635,701)
(256,026)	Deferred Charges Written Off			(652,615)
(426,000)	Contribution from the Pensions Reserve	Note 11		(381,000)
6,807,007	Amount to be met from Government Grant and Local Taxes			6,963,599
	Sources of Finance			
(3,093,350)	Precept demanded from the Collection Fund			(3,378,173)
(20,908)	Collection Fund transfers from Previous years (surplus) / deficit			(42,576)
(1,696,919)	Revenue Support Grant			(1,866,985)
(1,860,250)	Contribution from Non-Domestic Rates pool			(1,848,649)
135,580	(Surplus) / Deficit on General Fund for the year			(172,784)
	General Fund Balance for the Year			
(801,537)	Balance at the beginning of the year			(665,957)
135,580	(Surplus) / Deficit for the year			(172,784)
(665,957)	General Fund Balance at the end of the year			(838,741)

Notes to the Consolidated Revenue Account

1. Service Expenditure

The Consolidated Revenue Account (CRA) conforms to the Service Expenditure Analysis contained in CIPFA's Best Value Accounting Code of Practice. The CRA on page 26 represents the gross expenditure (including capital charges), income and net expenditure in respect of continuing operations.

2. Extraordinary, Exceptional and Prior Year Adjustments

The Council administers a number of industrial units that are included in the Consolidated Revenue Account as trading operations. An agreement that related to a small number of these units ended on 15 November 2005. As part of the agreement, the units in question were required to be restored to an agreed state before they were handed back to their original owner. The cost of this restoration amounted to £235,000.

3. Trading Operations

Trading operations are services that trade with the public and other third parties. The Council administers two open-air markets, several industrial Units and a large conference facility with office units. Trading operations, including capital charges, produced a deficit of £331,362 in the year, (£84,474 deficit in 2004/05) analysed as follows:

2004/05 (Surplus) / Deficit £	Trading Activity	Expenditure £	2005/06 Income £	(Surplus) / Deficit £
(26,871)	Markets	18,914	(33,988)	(15,074)
60,451	Industrial Units	385,334	(119,739)	265,595
50,894	Wincombe Business Centre	119,812	(38,971)	80,841
84,474		524,060	(192,698)	331,362

The increase in deficit is mainly due to the maintenance of a number of units identified in note 2 above.

4. Transactions on the Asset Management Revenue Account

This account receives capital charge income from services and makes payments for external interest and depreciation. The balance is credited to the Consolidated Revenue Account, which ensures that there is a neutral effect on the amount to be raised through local taxation from charging services for the full cost of using capital assets.

Notes to the Consolidated Revenue Account

4. Asset Management Revenue Account (Cont)

	2004/05 £	2005/06 £
Income		
Capital Charges	(1,393,866)	(1,852,117)
Transfers from Government Grants Deferred Account	(255,520)	(372,363)
Sub-total	(1,649,386)	(2,224,480)
Expenditure		
Provision for Depreciation	1,098,793	1,635,701
Sub-total	1,098,793	1,635,701
Balance to Consolidated Revenue Account	(550,593)	(588,779)

5. Transfer from Reserves

A net sum of £1,223,600 was transferred from Revenue Reserves in the year (£1,002,923 was transferred from reserves in 2004/05). £988,600 was agreed during the budget process and was used to support revenue expenditure and keep the General Fund balance at the required level. £235,000 was agreed by Council to fund repairs to a number of industrial units.

6. Minimum Revenue Provision

From 1 April 2004, the Local Government Act 2003 requires the Minimum Revenue Provision to be calculated at 4% based on the Capital Financing Requirement (CFR), as adjusted by a sum equal to the difference between the Credit Ceiling at 31 March 2005 and CFR. The calculation for 2005/06 is set out below.

	2004/05 £'000	2005/06 £'000
Fixed Assets	15,380	16,247
Less		
- Government Grants Deferred	(200)	(475)
- Fixed Asset Restatement Reserve	8,815	7,568
- Capital Financing Account	(31,258)	(29,939)
Capital Finance Reserve as at 31 March 2006	(7,263)	(6,599)
Item "A" Adjustment	(204)	(204)
Adjusted Capital Finance Requirement	(7,467)	(6,803)
Minimum Revenue Provision at 4%	(299)	(272)
Commutation Adjustment	0	0
Minimum Revenue Provision for the Year	(299)	(272)

As the Council has no debt and has a "negative" CFR, no sums have to be set aside.

7. Publicity

The Council is required under the Local Government Act 1986 to show how much it spent on publicity in the financial year. Total expenditure was incurred as follows:

	2004/05 £	2005/06 £
Recruitment Advertising	111,732	59,718
Other Advertising	24,320	23,154
Publicity	103,279	126,019
Total	239,331	208,891

8. Building Control Trading Account

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

Building Regulations Charging Account	Chargeable 2004/05 £	Non Chargeable 2004/05 £	Total 2004/05 £	Chargeable 2005/06 £	Non Chargeable 2005/06 £	Total 2005/06 £
Expenditure						
Employee Expenses	0	0	0	0	0	0
Premises	0	0	0	0	0	0
Transport	0	0	0	0	0	0
Supplies and Services	17,676	882	18,558	16,306	1,248	17,554
Central Support	246,044	82,912	328,956	248,709	96,696	345,405
Total Expenditure	263,720	83,794	347,514	265,015	97,944	362,959
Income						
Building Regulation Charges	345,094	0	345,094	343,846	0	343,846
Miscellaneous Income	0	0	0	0	0	0
Total Income	345,094	0	345,094	343,846	0	343,846
(Surplus) / Deficit	(81,374)	83,794	2,420	(78,831)	97,944	19,113

The statutory requirement when setting fees is that charges are fixed so that income will not be less than expenditure over a three year rolling period. For the three year period from 1 April 2003 to 31 March 2006 income exceeded expenditure by £1,605.

Notes to the Consolidated Revenue Account

9. Payments made under S137 of the Local Government Act 1972

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charity funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £5.30 per head of population. The Council was permitted to spend £328,600 under this power in 2005/06 and its actual expenditure was £6,400.

10. Agency Services

There were no agency services carried out during 2005/06 (£1,668 in 2004/05 in respect of gypsy sites).

11. Pension Costs - FRS 17

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Dorset County Council Pension Fund, a defined benefit pension scheme. This is a funded scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise the cost of retirement benefits in the Net Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on cash payable in 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 during the year:

	2004/2005 £'000	2005/2006 £'000
Net Cost of Service:		
Current service costs	(780)	(904)
Past service costs	0	0
Net Operating Expenditure:		
Interest costs	(1,394)	(1,462)
Expected return on assets in the scheme	1,024	1,160
Amounts to be met from Government grants and local taxation:		
Movement on pension reserve	426	381
	(724)	(825)
Actual amount charged against council tax for pensions in the year:		
Employers' contributions payable to scheme	724	825

11. Pensions Costs – FRS 17 (cont)

Note 25 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. The Statement of Total Movement in Reserves discloses the actuarial gains and losses on the Pension Reserve.

There were no capital costs in respect of discretionary payments relating to added years benefits for 2005/06. The figure in respect of previous years is based upon specific guidance issued by the Chartered Institute for Public Finance and Accountancy (CIPFA) and amounts to £883,965.

Further information can be found in the Annual Report of the Dorset County Council Pension Fund which is available from the County Treasurer, Dorset County Council, County Hall, Dorchester. Dorset, DT1 1XJ.

12. Finance and Operating Leases

The Council currently has no finance leases.

The rentals paid in respect of operating leases during the year totalled £124,291 (2004/05 – £170,383). All of these payments related to the cost of leasing leased cars and other vehicles. The majority of the leases on the Councils refuse and street cleansing vehicles ended during 2003/04. However, two vehicles have been retained and are now operating on a secondary leasing period. The amount outstanding on leased cars is £56,593 as at 31 March 2006.

13. Members Allowances

The total payments made for Members Allowances in 2005/06 was £203,340 (£196,241 in 2004/05).

14. Officers' Emoluments

The Council is required, under Regulation 7 (2) of the Accounts and Audit Regulations 2003, to report the numbers of staff with salaries and allowances in excess of £50,000 per annum, in multiples of £10,000. The figures are as follows:

	2004/05	2005/06
£50,000 – £59,999	2	3
£60,000 – £69,999	0	0
£70,000 – £79,999	0	0
£80,000 – £89,999	1	1

15. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows the reader to access the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Notes to the Consolidated Revenue Account

15. Related Party Transactions (cont)

Central Government

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

Other Local Authorities

The following transactions are made with local authorities:

- The Local Government Pension Fund – Dorset County Council administers the Dorset County Pension Fund on behalf of other local authorities in the county. The council's employer's contributions to the fund are shown in note 11 above.
- Council Tax – The council is responsible for the administration of the Collection Fund and includes the collection and payment of precepts on behalf of Dorset County Council, Dorset Police Authority and Dorset Fire Authority. These are detailed within the Collection Fund Income and Expenditure Account on page 60. In addition, the sums demanded for the precept by the council, included amounts required by parish and town councils as detailed on page 62, note 4.
- Services – During the year, Dorset County Council provided various support and other services to the council at a cost of £190,418. This is included within the "Net Cost of Services" in the Consolidated Revenue Account on page 26.
- There were numerous other transactions between the Council and other local authorities. However, none of these were considered to be material.

Elected Members, Senior Officers and close families.

All Members and senior officers are required to complete a pro-forma relating to any related party transactions. The list of organisations below has received payments from the Council of which members have declared an interest:

- Three Members have declared an interest in Dorset Community Action that has received amounts totalling £169,370 which represents costs towards village hall grants and community development workers.
- One member has declared an interest in Friends of Shaftesbury Abbey which received a payment of £10,355 from the Council.

Further details can be obtained from the Financial Services Manager.

16. Disclosure of Audit Fees

In 2005/06 North Dorset District Council incurred the following fees relating to external audit and inspection:

	2004/05 £	2005/06 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	90,609	84,528
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for the certification of grants claims and returns	29,175	17,412
Fees payable in respect of other services provided by the appointed auditor	2,720	4,003

Section 3

Consolidated Balance Sheet

2005/2006

Consolidated Balance Sheet

This is a summary of the Council's financial position as at 31 March 2006. It brings together all the balances on the accounts.

31 March 2005 £		See Notes	31 March 2006 £
	FIXED ASSETS		
41,637	Intangible fixed assets		217,146
	OPERATIONAL ASSETS		
9,543,212	Other land and buildings		11,320,271
1,541,392	Vehicles, plant and equipment		2,047,393
314,388	Infrastructure assets		332,806
446,509	Community assets		446,509
	NON-OPERATIONAL ASSETS		
2,679,000	Investment properties		2,583,000
1,467,000	Development land		1,606,000
213,856	Under construction		259,696
16,246,994	Sub-total fixed assets	1, 2, 3, 5	18,812,821
	OTHER LONG-TERM ASSETS		
2,500,000	Long term investments	10	2,500,000
201,104	Long term debtors	11	198,112
18,948,098	Total long term assets		21,510,933
	CURRENT ASSETS		
68,872	Stocks	12	84,486
2,138,921	Debtors	13	2,703,981
16,680,000	Investments	14	15,470,000
18,887,793	Total current assets		18,258,467
37,835,891	TOTAL ASSETS		39,769,400
	CURRENT LIABILITIES		
(3,494,380)	Creditors	15	(4,205,651)
(195,683)	Cash overdrawn	16	(559,534)
(3,690,063)	Total current liabilities		(4,765,185)
34,145,828	TOTAL ASSETS LESS CURRENT LIABILITIES		35,004,215
	LONG TERM LIABILITIES		
(3,374,300)	Developer Contributions Unapplied	17	(4,470,083)
(12,517)	Deferred liabilities	18	(10,840)
(210,343)	Provisions	19	(555,300)
(9,494,000)	Pension Liability	25	(9,461,000)
21,054,668	TOTAL ASSETS LESS LIABILITIES		20,506,992

Consolidated Balance Sheet

Financing Section

31 March 2005 £		See Notes	31 March 2006 £
RESERVES AND BALANCES			
(7,567,979)	Fixed Asset Restatement Account	20	(5,602,847)
29,939,193	Capital Financing Account	21	28,246,391
3,043,253	Usable Capital Receipts Reserve	22	3,185,006
474,534	Government Grants Deferred	23	690,413
(9,494,000)	Pension Reserve	25	(9,461,000)
3,260,883	Other Reserves	24	2,037,610
BALANCES			
665,957	General Fund		838,741
732,827	Collection Fund		572,678
21,054,668	TOTAL NET WORTH		20,506,992

Notes to the Consolidated Balance Sheet

1. Fixed Assets

	Intangible assets £	Other land and buildings £	Vehicles, plant and equipment £	Infrastructure assets £	Community assets £	Investment Properties £	Development land £	Under construction £	TOTAL
Gross book value as at 01/04/05	62,455	9,812,495	3,096,917	323,201	446,509	2,679,000	1,467,000	213,856	18,101,433
Accumulated Depreciation	(20,818)	(269,283)	(1,555,525)	(8,813)	0	0	0	0	(1,854,439)
Net book value as at 01/04/05	41,637	9,543,212	1,541,392	314,388	446,509	2,679,000	1,467,000	213,856	16,246,994
Additions	294,490	140,206	1,721,700	20,670	0	0	0	59,330	2,236,396
Disposals	0	0	0	0	0	(13,950)	(55,000)	0	(68,950)
Revaluations	0	1,907,554	0	0	0	(53,979)	194,000	(13,492)	2,034,083
Reclassification	0	0	0	0	0	0	0	0	0
Depreciation for year	(118,981)	(270,701)	(1,215,697)	(2,252)	0	(28,070)	0	0	(1,635,701)
Net book value as at 31/03/06	217,146	11,320,271	2,047,395	332,806	446,509	2,583,000	1,606,000	259,694	18,812,821

2. Fixed Asset Valuation

The freehold and leasehold properties which comprise the Authority's property portfolio were valued by external independent valuers from the Dorset County Council Valuations and Estates Section as at 31 March 2006. The Council has adopted a five year rolling programme for asset valuation and relative proportions of the assets were identified to be valued. The results of these valuations are applied to the remainder of the holding. It is intended that in each of the succeeding four years a further tranche of assets will be identified for detailed valuation and the results applied across the other assets.

This process has had the effect of increasing the value of the fixed assets previously shown in the accounts for North Dorset District Council by £2,034,083.

Vehicles, plant and equipment are valued at their historic cost, net of depreciation where appropriate.

3. Intangible Fixed Assets

From 2004/05 there is a requirement to disclose intangible fixed assets separately. Intangible fixed assets are defined as "non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the entry through custody or legal right". The types of assets normally included within this definition are purchased software, patents and trademarks.

Intangible assets are amortised to service accounts from the year of acquisition over their economic lives.

	Purchased Software Licenses	
	2004/05 £	2005/06 £
Original cost	0	62,455
Amortisations to 1 April	0	(20,818)
Balance as at 1 April	0	41,637
Expenditure in year	62,455	294,490
Written off to revenue in year	(20,818)	(118,981)
Balance as at 31 March	41,637	217,146

Software licences are being held for a number of new systems that the Council has acquired since 1 April 2004. The costs are being written off over 3 years.

4. Capital Commitments

As at the 31 March 2006, there are no capital commitments outstanding.

5. Depreciation

Depreciation has been provided on all fixed assets with a finite useful life.

A straight line methodology for the calculation of depreciation has been used, based upon the estimated useful life of the asset. Note 1 on page 36 gives an analysis of the depreciation charges made for each asset type. The estimated useful life of each asset type is shown within The Statement of Accounting Policies on page 21.

Notes to the Consolidated Balance Sheet

6. Number of Fixed Assets Held

A summary of physical assets held by the Council at 31 March 2005 and 31 March 2006 is shown below.

	Number of assets held at 31/3/05	Number of assets held at 31/3/06
Operational Assets		
Council offices	1	1
Depots	3	3
Surface car parks	18	18
Public conveniences	11	10
Leisure centres / playing fields	8	8
Tourist information centres	2	1
Amenity areas	41	41
Miscellaneous properties	47	45
Vehicles	28	28
Non-Operational Assets		
Business centre	1	1
Industrial sites	3	3

This analysis reflects a detailed evaluation and asset identification exercise that is reviewed each year. Further work on classification, condition and utilisation of Council's assets will continue as part of the Government requirement to produce Asset Management Plans.

7. Capital Expenditure Statement

A reconciliation of expenditure on fixed assets with total capital expenditure is detailed below:

	2004/05 £	2005/06 £
Analysis of expenditure		
Fixed assets (as per note 1 above)	1,326,949	2,236,396
Deferred charges	703,397	1,431,745
Total capital expenditure	2,030,346	3,668,141
The capital expenditure was financed as follows		
Grants and contributions	894,139	1,149,130
Capital receipts	1,136,207	2,519,011
Total capital financing	2,030,346	3,668,141

8. Operating and Finance Leases

The Council does not currently hold any assets under finance leases.

The authority was committed at 31 March 2006 to make payments of £83,681 under operating leases in 2006/07, comprising the following elements:

	Vehicles, Plant and Equipment
Leases expiring in 2007/08	27,354
Leases expiring between 2008/09 and 2012/13	52,135

9. Deferred Charges

Deferred charges are items that are classed as capital expenditure but which do not result in, or remain matched with, assets controlled by the Council. The following deferred charges were incurred during the year. It is normal practice for such expenditure to be amortised to the Consolidated Revenue Account in the year in which it is incurred and is included in Net Cost of Services. The amounts below exclude grants received that totalled £779,130 (the net expenditure being £652,615).

	Balance as at 1 April 2005 £	Expenditure	Amounts amortised to the CRA	Balance as at 31 March 2006
Improvement Grants	0	201,290	(201,290)	0
Conservation schemes	0	991	(991)	0
Amenity areas and other sites	0	15,386	(15,386)	0
Flood protection	0	2,238	(2,238)	0
Capital grants	0	537,882	(537,882)	0
Liveability fund	0	663,130	(663,130)	0
Administration	0	10,828	(10,828)	0
Total deferred charges	0	1,431,745	(1,431,475)	0

As stated above, the Council's normal accounting practice is to write off deferred charges in the year in which the expenditure is incurred. However, capitalised redundancy costs were written down over a five year period. Following a change in the Statement of Recommended Practice (SORP), the balance held in respect of the expenditure was transferred to the Capital Finance Account (CFA) with effect from the 2004/05 financial year.

10. Long Term Investments

Long term investments represents deposits that are fixed term with a maturity date that is beyond 31 March 2007. The Council has one such deposit for £2,500,000 that is due to mature in April 2007.

11. Long Term Debtors

Long term debtors are sums repayable to the Council over a period of more than one year. These are items such as amounts owing in respect of mortgage advances for the sale of council houses and other mortgages.

Notes to the Consolidated Balance Sheet

11. Long Term Debtors (cont)

Balances outstanding at the end of the year were:

	2004/05 £	2005/06 £
Mortgages for the sale of council houses	12,517	10,842
Mortgages to housing associations	158,587	157,270
Other long term debtors	30,000	30,000
Total long term debtors	201,104	198,112

12. Stocks

The following stock was being held as at 31 March.

	2004/05 £	2005/06 £
Cleansing stores	52,401	66,628
Blandford swimming pool	2,255	4,657
Gillingham leisure centre	1,510	3,817
Sturminster Newton leisure centre	3,041	333
Tourist information centre	8,018	4,767
Postages – franking machine	1,647	4,284
Total stock held as at 31 March	68,872	84,486

13. General Debtors

These are short term debts consisting of amounts due from Government, other local authorities and amounts for goods and services provided as at 31 March:

	2004/05 £	2005/06 £
Amounts due within one year		
Other local authorities	285	0
Ratepayers	1,172,106	1,467,736
Central Government	820,790	930,371
Payments in advance	40,435	47,631
Sundry Debtors	826,136	1,021,653
Sub-total for amounts due within one year	2,859,752	3,467,391

13. General Debtors (cont)

	2004/05 £	2005/06 £
Balance of amounts due within one year from above	2,859,752	3,467,391
Provision for bad debts		
Council Tax	(413,782)	(456,461)
National Non-Domestic Rates	(160,031)	(204,222)
Sundry Debtors	(205,387)	(159,320)
Sub-total for provision for bad debts	(779,200)	(820,003)
Amounts due after one year		
Car leasing	58,369	56,593
Sub-total for amounts due after one year	58,369	56,593
Total for general debtors	2,138,921	2,703,981

14. Investments

The management of the Council's long and short term investments is undertaken by in-house staff. An external company acts as the Council's advisors on fund management.

The balance invested at the 31 March 2006 stood at £17,970,000 of which £2,500,000 related to investments that have a maturity after 31 March 2007 (see note 10 above).

15. Creditors

These consist of amounts owed to Government and other public bodies and all unpaid sums for goods and services provided as at 31 March.

	2004/05 £	2005/06 £
Amounts due within one year		
Government departments	35,530	36,107
Ratepayers	867,517	644,718
Miscellaneous holding accounts	98,247	110,220
Income in advance	1,534,690	2,372,557
Sundry creditors	958,396	1,042,049
Total amounts due within one year	3,494,380	4,205,651

Notes to the Consolidated Balance Sheet

16. Net Cash Position

The total cash overdrawn figure is the total of all the Council's cash and bank balances. It therefore includes cash holdings of leisure centres, tourist information centres and other cash balances. The net cash position for the year end was:

	2004/05 £	2005/06 £
Cash in hand	110,859	14,336
Bank overdraft	(306,542)	(573,870)
Net cash position as at 31 March	(195,683)	(559,534)

Further information on the movement in cash can be found in the Cash Flow Statement on page 56.

17. Developer Contributions

Developer contributions are amounts collected from developers in accordance with agreements made under Section 106 of the Town and County Planning Act 1990, towards the costs of community and recreational facilities directly related to and necessary for the development.

A total of £4,470,083 had been received as at 31 March 2006 and will be used to finance the capital projects in accordance with the terms of each agreement and also in accordance with the policies of the Council.

18. Deferred Liabilities

Deferred liabilities are sums of money derived from the sale of assets which will be received in instalments over certain agreed periods. The amount standing as at 31 March 2006 was £10,840 and relates to the sale of council houses (£12,517 in 2004/05).

19. Provisions

A provision is an amount set aside to meet liabilities or losses that are likely or certain to arise. For the provisions shown below, it is not possible to determine precisely when any transfer of economic benefits will take place.

	Balance as at 1 April 2005 £	Provisions Made £	Amounts Paid £	Balance as at 31 March 2006 £
Remuneration review	173,000	346,000	0	519,000
Vehicles – excess mileage	4,875	0	0	4,875
Wincombe sinking fund	5,787	6,438	0	12,225
Anti-social behaviour contingency	26,681	20,500	(27,981)	19,200
Total provisions	210,343	372,938	(27,981)	555,300

20. Fixed Asset Restatement Account

The Fixed Asset Restatement Account represents the difference between the value of assets following revaluation as at 31 March 2006 and those valuations previously held within the accounting statements. In addition, the reserve will be written down by the net book value of assets disposed of and will reflect changes arising from future valuations.

	2004/05 £	2005/06 £
Balance of Fixed Asset Restatement Account as at 1 April	(8,814,707)	(7,567,979)
Revaluation and restatement of fixed assets	643,455	2,034,083
Transfer of capital contributions deferred	608,023	0
Disposal of fixed assets during the year	(4,750)	(68,951)
Balance of Fixed Asset Restatement Account as at 31 March	(7,567,979)	(5,602,847)

21. Capital Financing Account

The Capital Financing Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	2004/05 £	2005/06 £
Balance of Capital Financing Account as at 1 April	31,258,352	29,939,193
Add		
Capital receipts set aside during the year	99,867	1,316
Capital grants applied	255,520	372,363
Minimum revenue provision (less depreciation)	(1,098,793)	(1,635,701)
Less		
Deferred charges written down (net of grants)	(256,027)	(652,615)
Long term debtors written down	(99,867)	(1,316)
Sub-total	30,159,052	28,023,240
Deferred charges balance	(219,859)	0
Transfer of deferred charges provision	0	223,151
Balance of Capital Financing Account as at 31 March	29,939,193	28,246,391

22. Usable Capital Receipts Reserve

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

Notes to the Consolidated Balance Sheet

22. Usable Capital Receipts Reserve (cont)

	2004/05 £	2005/06 £
Balance of Usable Capital Receipts Reserve as at 1 April	2,442,554	3,043,253
Add		
Capital receipts received during the year	700,566	143,069
Less		
Capital receipts set aside during the year	(99,867)	(1,316)
Balance of Usable Capital Receipts Reserve as at 31 March 2006	3,043,253	3,185,006

23. Government Grants Deferred

The Government Grants Deferred Account contains the amounts received by the Council by way of grants that have been used to finance capital expenditure. The grants are matched to the asset for which they helped finance and written down over the same period as that asset.

	Balance as at 1 April 2005 £	Grants Received £	Grants Applied £	Balance as at 31 March 2006 £
Grants in respect of IT systems	333,336	368,242	(326,314)	375,264
Grant in respect of vehicles	92,198	0	(23,049)	69,149
Grant in respect of recycling	0	220,000	(22,000)	198,000
Developer contributions used	49,000	0	(1,000)	48,000
Total for Government Grants	474,534	588,242	(372,363)	690,413

24. Revenue Reserves

Details of all the reserves held by the Council (both revenue and capital) are brought together in a Statement of Total Movements in Reserves in Section 4. Revenue reserves are amounts set aside to finance future revenue expenditure. Contributions to and from these reserves are outside service expenditure and are therefore shown as appropriations, below Net Operating Expenditure in the Consolidated Revenue Account. An analysis of movements in revenue reserves is as follows:

	Balance as at 1 April 2005 £	Transfers In £	Transfers Out	Balance as at 31 March 2006 £
Amenity areas	5,000	0	0	5,000
Gold Hill fund	12,721	327	0	13,048
Revenue reserves for capital	3,243,162	0	(1,223,600)	2,019,562
Total for revenue reserves	3,260,883	327	(1,223,600)	2,037,610

25. Retirement Benefits

(a) Note 11 to the Consolidated Revenue Account contains details of the authority's participation in the Local Government Pension Scheme, the scheme administered by the Dorset County Council Pension Fund. These are defined benefits schemes. As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March 2006 are as follows:

	2004/05 £'000	2005/06 £'000
Estimated assets in scheme	17,656	21,922
Estimated liabilities: Present value of scheme liabilities	(25,867)	(30,010)
Estimated liabilities: Present value of unfunded liabilities	(1,283)	(1,373)
Net pension asset / (liability)	(9,494)	(9,461)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. Whilst the total liability of £9.461m has a significant impact on the net worth of the authority as recorded in the balance sheet, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

(b) Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, based on a triennial valuation as at 31 March 2004.

The main assumptions used in their calculations are:

	2004/05 % per annum	2005/06 % per annum
Price increases	2.9	3.0
Salary increase	4.7	4.8
Pension increases	2.9	3.0
Discount rate	5.4	4.9
Proportion of employees opting to take a commuted lump sum	n/a	50.0

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this assumption reduces the value of the Council's pension liability by £556,000 to 31,383,000 and this amount has been included in the accounts.

Notes to the Consolidated Balance Sheet

25. Retirement Benefits (cont)

(c) Assets are valued at fair value, principally market value for investments and consist of:

	2004/05 £'000	Long term return %	2005/06 £'000	Long term return %
Equities	10,910	7.5	13,946	7.0
Gilts	4,254	4.5	3,291	4.2
Other Bonds	61	5.3	1,441	4.9
Property	1,737	7.0	2,276	6.5
Cash	694	4.3	968	4.0
Total pension assets	17,656	6.6	21,922	6.3

(d) The movement in the net pension liability for the year as at 31 March is as follows:

	2004/05 £'000	2005/06 £'000
Net pensions liability at 1 April	(5,675)	(9,494)
Movements in the year:		
Effects of change in accounting methodology	(3,496)	0
Current service cost	(780)	(869)
Employer contributions	724	825
Unfunded pension payments	0	49
Past service costs	0	0
Other finance income	(370)	(302)
Settlements / curtailments	0	(35)
Actuarial gain / loss	103	365
Surplus / (deficit) at the 31 March	(9,494)	(9,461)

(e) The actuarial losses can be analysed into the following categories, measured as absolute amounts at 31 March:

	2004/05 £'000	2005/06 £'000
Actual return less expected return on pension scheme assets	1,145	3,238
Experience gains and losses arising on the scheme liabilities	(759)	0
Change in assumptions underlying the present value of the scheme liabilities	(283)	(2,873)
Actuarial gain / loss in pension scheme	103	365

25. Retirement Benefits (cont)

(f) History of Experience Gains and Losses

	Year to 31 March 2005 £'000	Year to 31 March 2006 £'000
Difference between the expected and actual return on assets	1,145	3,238
Value of assets	17,657	21,921
Percentage of assets	6.0%	14.8%
Experience gains / (losses) on liabilities	(759)	0
Present value of liabilities	27,151	31,382
Percentage of the present value of liabilities	(2.8%)	0%
Actuarial gains / losses recognised in the STRGL	103	365
Present value of liabilities	27,151	31,382
Percentage of the present value of liabilities	0.4%	1.2%
Effect of change in accounting methodology	(3,497)	n/a
Present value of liabilities	27,151	n/a
Percentage of the present value of liabilities	(12.9%)	n/a

Further information can be found in the Annual Report of the Dorset County Council Pension Fund which is available from the County Treasurer, Dorset County Council, County Hall, Dorchester, Dorset. DT1 1XJ.

26. Contingent Liabilities

Contingent liabilities are potential liabilities, which are not legally enforceable but may become so on the happening of a future event. Since these events are not expected to arise no provision has been made for them in the accounts.

27. Events after the Balance Sheet date

There has been no events after the Balance Sheet date that has arisen. The financial statements have been authorised for issue on 28 June 2006, after which there is no reasonable expectation that events could have been taken in account by the authority.

28. Preparations for the Introduction of the Euro

The present position relating to the preparations the Council is making for introducing the Euro is that some work has been undertaken to assess areas of the Council's functions which will be affected. However, no detailed work has been undertaken as regards to the likely cost to be incurred and at the Balance Sheet date no commitments have been entered into in respect of costs that are likely to be incurred.

Section 4

Statement of Total Movements in Reserves

2005/2006

Statement of Total Movements in Reserves

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the authority during the period, identified between movements in capital and revenue reserves. The inclusion of this statement reflects the requirement for organisations to present a primary statement of total recognised gains and losses. The statement excludes the balance on the Collection Fund (see page 60).

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

2004/05 £		2005/06	
		£	£
(135,581)	General Fund surplus / (deficit) for the year	172,784	
(1,002,923)	Movements on earmarked reserves	(1,223,273)	
(426,000)	Appropriations from the pension reserve	(381,000)	
(3,392,000)	Actuarial gains and losses relating to pensions	414,000	
(4,956,504)	Total increase / (decrease) in revenue resources – note 1		(1,017,489)
500,832	Increase / (decrease) in usable capital receipts	141,753	
530,054	Increase / (decrease) in unapplied capital grants and contributions	0	
1,030,886	Total increase / decrease in realised capital resources – note 2		141,753
1,246,728	Gains / losses on revaluation of fixed assets	2,034,083	
0	Impairment losses on fixed assets due to changes in prices	0	
1,251,478	Total increase / (decrease) in unrealised value of fixed assets – note 3		2,034,083
0	Value of assets sold, disposed of or decommissioned – note 4		(68,951)
99,867	Capital receipts set aside	1,316	
(1,319,159)	Revenue resources set aside	(1,694,118)	
(255,520)	Movement of government grants deferred	215,879	
(1,474,812)	Total increase / (decrease) in amounts set aside to finance capital investments – note 5		(1,476,923)
(4,153,702)	Total recognised gains and losses		(387,527)

Notes to the Statement of Total Movements in Reserves

1. Movement in revenue resources

	General Fund Balances £	Earmarked Revenue Reserves £	Pensions Reserves £
Surplus / (deficit) for 2005/06	172,784		
Appropriations to / (from) revenue		(1,223,273)	(381,000)
Actuarial gains and losses relating to pensions			414,000
Total increase / (decrease) in revenue resources	172,784	(1,223,273)	33,000
Balance brought forward at 1 April 2005	665,957	3,260,883	(9,494,000)
Balance carried forward at 31 March 2006	838,741	2,037,610	(9,461,000)

For details of the General Fund surplus in 2005/06 see the Consolidated Revenue Account on page 26.

An analysis of revenue reserves is shown in note 24 to the Consolidated Balance Sheet on page 44.

For details of the Pension Reserve see note 25 to the Consolidated Balance Sheet on page 45.

2. Movement in realised capital resources

	Usable Capital Receipts £
Amounts receivable in 2005/06	143,069
Amounts set aside in 2005/06	(1,316)
Amounts applied to finance new capital investments in 2005/06	0
Total increase / (decrease) in realised capital resources	141,753
Balance brought forward at 1 April 2005	3,043,253
Balance carried forward at 31 March 2006	3,185,006

Capital receipts are chiefly sums received from the sale of fixed assets. Each capital receipt may be used to finance new capital expenditure. The balance on this account therefore represents amounts available for the new financing of new capital expenditure.

Notes to the Statement of Total Movements in Reserves

3. Movement in unrealised value of fixed assets

	Fixed Asset Restatement Account £
Gains / (losses) on revaluation of fixed assets in 2005/06	2,034,083
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Total increase / (decrease) in unrealised capital recourses in 2005/06	2,034,083

4. Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in 2005/06	(68,951)
Total Movement on reserves 2005/06	1,965,132
Balance brought forward at 1 April 2005	(7,567,979)
Balance carried forward at 31 March 2006	(5,602,847)

The system of capital accounting implemented in 1994 required the establishment of the Fixed Asset Restatement Account. The account is written down by the net book value of assets as they are disposed of and debited or credited with the surpluses arising on revaluations.

5. Movements in amounts set aside to finance capital investment

	Capital Financing Account £	Government Grants Deferred £
Capital receipts set aside in 2005/06	1,316	
Usable receipts applied	0	
Total capital receipts set aside	1,316	
Revenue resources set aside in 2005/06	(1,694,118)	
Grants applied to capital investment in 2005/06		588,242
Amounts credited to the Asset Management Revenue Account in 2005/06		(372,363)
Movement on Capital Financing Account	(1,692,802)	
Movement on Government Grants Deferred		215,879
Balance brought forward at 1 April 2005	29,939,193	474,534
Balance carried forward at 31 March 2006	28,246,391	690,413

The Capital Finance Account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of any external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between the amounts provided for depreciation and that required to be charge to revenue to repay any principal element of external loans.

Notes to the Statement of Total Movements in Reserves

6. Retirement Benefits - History of Experience Gains and Losses

	Year to 31 March 2003 £'000	Year to 31 March 2004 £'000	Year to 31 March 2005 £'000	Year to 31 March 2006 £'000
Difference between the expected and actual return on assets	(3,620)	1,873	1,145	3,238
Value of assets	12,085	14,870	17,657	21,921
Percentage of assets	(30.0%)	12.6%	6.0%	14.8%
Experience gains / (losses) on liabilities	110	0	(759)	0
Present value of liabilities	19,288	20,545	27,151	31,382
Percentage of the present value of liabilities	0.6%	0%	(2.8%)	0%
Effect of change in accounting methodology	0	(53)	(3,497)	0
Present value of liabilities	19,288	20,545	27,151	31,382
Percentage of the present value of liabilities	0%	(0.3%)	(12.9%)	0%

Section 5

Cash Flow Statement

2005/2006

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash, arising from transactions with third parties for both revenue and capital purposes.

2004/05		2005/06	
£		£	£
	REVENUE ACTIVITIES		
	Cash outflows		
28,932,844	Precepts paid	30,973,296	
8,732,272	Payments to national non-domestic rates pool	9,741,532	
6,638,464	Cash paid to and on behalf of employees	7,201,858	
10,856,392	Housing benefits paid out (includes council tax benefit)	11,685,226	
3,360,096	Other operating cash payments	2,542,315	
58,520,068			62,144,227
	Cash inflows		
(28,656,508)	Council tax income	(30,122,852)	
(10,655,815)	NNDR received from ratepayers and national pool	(11,361,109)	
(1,696,919)	Revenue Support Grant	(1,866,985)	
(11,076,242)	DWP grants for benefits (including administration)	(12,242,542)	
(560,498)	Other Government grants	(340,932)	
(4,419,245)	Cash received for goods and services	(3,436,147)	
(57,065,227)			(59,370,567)
1,454,841	Revenue activities net cash flow		2,773,660
	INVESTMENT INCOME AND SERVICING OF FINANCE		
	Cash outflows		
0	Interest paid	0	
	Cash inflows		
(786,028)	Interest received	(1,184,250)	
(786,028)	Net cash flow from servicing of finance		(1,184,250)
	CAPITAL ACTIVITIES		
	Cash outflows		
1,130,133	Purchase of fixed assets	2,127,968	
703,397	Deferred charges	1,412,338	
500,000	Purchase of long term investments	0	
2,333,530			3,540,306
	Cash inflows		
(826,435)	Sale of fixed assets	(68,561)	
(3,157,747)	Capital grants and other capital cash received	(3,487,304)	
(3,984,182)			(3,555,865)
(1,650,652)	Net cash flow from capital activities		(15,559)
(981,839)	NET CASH FLOW BEFORE FINANCING		1,573,851
	MANAGEMENT OF LIQUID RESOURCES		
975,000	Net increase/(decrease) in short term deposits		(1,210,000)
0	FINANCING		
0	Net cash flow from financing		0
(6,839)	NET (INCREASE) / DECREASE IN CASH		363,851

Notes to the Cash Flow Statement

1. General Note

Under the Revenue Activities "Cash Outflows" the housing benefits paid out includes council tax benefits. The DWP grants for benefits under "Cash Inflows" now includes all grants received from the DWP; these include benefits received for rent allowance, council tax, rent rebates, anti-fraud funding, administration subsidy and verification framework funding.

The amounts shown in the statement are shown gross of provisions where as they are shown net on the Consolidated Revenue Account and the Consolidated Balance Sheet.

2. Reconciliation to Revenue Cash Flow

2004/05 £		2005/06 £	
135,580	General Fund (surplus) / deficit	(172,783)	
(272,554)	Collection Fund (surplus) / deficit	160,149	
(136,974)			(12,634)
Non-cash transactions:			
48,591	Provision for bad and doubtful debts	48,734	
1,098,794	Depreciation adjustment	1,635,701	
(194,146)	Contribution from / (to) Reserves	(412,101)	
(15,956)	Contribution from / (to) Provisions	(344,957)	
937,283			927,377
Items included as accruals:			
23,794	Increase / (decrease) in stocks	15,614	
(4,932)	Increase / (decrease) in Debtors	441,818	
(150,358)	(Increase) / decrease in Creditors	217,235	
(131,496)			674,667
Items classified elsewhere in the Cash Flow Statement			
786,028	Interest received	1,184,250	
786,028			1,184,250
1,454,841	Net cash flow from revenue activities		2,773,660

3. Movements in Cash and Cash Equivalents

Movement 2004/05 £		Balance at 1 April 2005 £	Cash Flow £	Balance at 31 March 2006 £
(44,601)	Cash in hand and at bank	110,859	(96,523)	14,336
51,440	Bank overdraft	(306,542)	(267,328)	(573,870)
6,839	Increase / (decrease) in cash and cash equivalents	(195,683)	(363,851)	559,534

Notes to the Cash Flow Statement

4. Analysis of Other Government Grants

The Government grants shown in the Cash Flow Statement represent the cash received and may differ from the actual amounts included within the gross income figures in the Council's Consolidated Revenue Account which is prepared on an accruals basis.

	2004/05 £	2005/06 £
Revenue grants		
ODPM homelessness grant	0	15,750
Grants received in respect of European and Parliamentary elections	0	63,718
Planning delivery grant	95,022	261,464
Grant towards a new electronic document management system	24,476	0
Liveability grant	441,000	0
Total revenue grants	560,498	340,932
Capital grants		
DWP grant towards new IT systems	29,102	218,242
Liveability grant	1,575,000	1,680,000
Disabled facilities grants	109,069	116,000
IEG Grant	350,000	150,000
DEFRA funding for the purchase of new vehicles	115,247	0
Total capital grants	2,178,418	2,164,242
Total Government grants	2,738,916	2,505,174

Section 6
The Collection Fund
2005/2006

The Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The revenue account shows the transactions into the Fund by way of Council Tax and National Non-Domestic Rates and how the amount collected has been distributed to preceptors and the General Fund. Further information is contained in the notes to these accounts.

Collection Fund Revenue Account for the year ended 31 March 2006

2004/05 £		2005/06 £	£
	Income		
(28,677,400)	Council Tax		(30,420,229)
	Transfer to / (from) General Fund		
(2,612,030)	Council tax benefits	(2,832,689)	
595	Transitional relief	577	
			(2,832,112)
(8,940,302)	National non-domestic rates		(9,634,104)
(40,229,137)	Total Income		(42,886,445)
	Expenditure		
	Precepts and demands		
23,075,955	Dorset County Council	24,477,056	
3,402,572	Dorset Police Authority	3,650,276	
1,169,634	Dorset Fire Authority	1,241,422	
3,093,350	North Dorset District Council	3,378,173	
30,741,511			32,746,927
	National non-domestic rates		
8,853,309	Payments to the pool	9,546,355	
86,993	Cost of collection allowance	87,749	
8,940,302			9,634,104
49,200	Provision for non-payment of council tax		141,934
13,418	Write off of council tax		100,236
39,744,431	Total Expenditure		42,623,201
(484,706)	Surplus for the year		(263,244)
	Distribution of previous year council tax surplus		
168,665	Dorset County Council	317,841	
22,578	Dorset Police Authority	46,866	
0	Dorset Fire Authority	16,110	
20,908	North Dorset District Council	42,576	
212,151			423,393
	Movement on Fund balance		
(460,272)	Balance brought forward		(732,827)
(484,706)	Add surplus for the year		(263,244)
212,151	Less distribution of council tax surplus (as above)		423,393
(732,827)	FUND DEFICIT / (SURPLUS) AT THE 31 MARCH		(572,678)

Notes to the Collection Fund

1. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified in to 8 valuation bands estimated at 1 April 1991 for this specific purpose. Individual charges are calculated by estimating the amount of income to be taken from the Collection Fund by Dorset County Council, Dorset Police Authority, Dorset Fire Authority and North Dorset District Council for the forthcoming year and dividing this by the Council Tax Base, (the total number of properties in each band adjusted by a proportion to convert the number of households to a "Band D" equivalent and adjusted for discounts.

The council tax base for 2005/06 was 25,700.2 (25,156.1 for 2004/05) resulting in a basic amount of Council tax for a Band D property of £1,227.19 for 2005/06 (£1,179.39 for 2004/05). This amount can be multiplied by the proportion specified for the particular property valuation Band to give an individual amount due for a property.

Council tax bills are based on the following proportions for Bands A to H:

Property Band	Proportion of Band D Charge
Band A	0.67
Band B	0.78
Band C	0.89
Band D	1.00
Band E	1.22
Band F	1.44
Band G	1.67
Band H	2.00

The council tax income is receivable from the following sources:

	2004/05 £	2005/06 £
Billed to council tax payers	28,677,400	30,420,229
Council tax benefits	2,612,030	2,832,689
Transitional relief	(595)	(577)
Total council tax income	31,288,835	33,252,341

2. National Non-Domestic Rate (NNDR)

NNDR is organised on a national basis. The Government specifies the NNDR multiplier for the year (42.2p in 2005/06 and 45.6p in 2004/05) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying the rateable value of their properties by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The government redistributes the sums paid in the pool back to the General Fund on the basis of a fixed amount per head of population.

The NNDR rateable value for the Council's area at 31 March 2006 was £31,434,822 (£24,870,079 at 31 March 2005).

Notes to the Collection Fund

3. Distribution of Collection Fund Surpluses

The surplus of £572,678 on the Collection Fund at 31 March 2006 will be distributed in subsequent financial years to Dorset County Council, Dorset Police Authority, Dorset Fire Authority and North Dorset District Council. This will be done in proportion to the value of the respective precepts and demands made by the four authorities on the Collection Fund.

4. Precepts and Demands

The figure for 2005/06 of £3,378,173 includes a sum of £2,154,448 precepted by North Dorset District Council on the fund (£1,999,910 for 2004/05). In addition, the following parishes made significant precepts or demands of £5,000 or more on the Collection Fund throughout the year:

2004/05 £		2005/06 £
315,462	Blandford Forum Town Council	360,000
255,160	Gillingham Town Council	279,972
196,000	Shaftesbury Town Council	220,000
78,900	Sturminster Newton Town Council	101,140
48,000	Stalbridge Town Council	49,000
17,500	Marnhull Parish Council	18,500
10,000	Shillingstone Parish Council	12,500
11,000	Child Okeford Parish Council	11,000
10,000	Okeford Fitzpaine Parish Council	10,500
8,900	Motcombe Parish Council	10,000
8,200	Hazelbury Bryan Parish Council	8,500
11,500	East Stour Parish Council	8,000
7,500	Stourpaine Parish Council	7,700
7,600	Blandford St Mary Parish Council	7,600
6,293	Bourton Parish Council	7,414
6,500	Pimperne Parish Council	6,500
6,384	Tarrant Launceston and Monkton Group	6,434
4,400	Lower Winterborne Group	6,148
7,000	The Stours Group	6,000
6,000	Spetisbury Parish Council	6,000
4,600	Charlton Marshall	5,600
5,100	Fontmell Magna Parish Council	5,400
5,150	Iwerne Minster Parish Council	5,150
56,291	Other District Parishes	64,667
1,093,440	Total of Parish Precepts	1,223,725

Glossary of terms used in the accounts

2005/2006

Glossary of terms used in the accounts

ASSETS	Items that are of worth and are measurable in terms of money. Assets can be further classified as:
CURRENT ASSETS	Assets which may change in value on a day-to-day basis (e.g. stocks)
FIXED ASSETS	Assets which yield benefit to the Authority for a period of a year or more (e.g. land and buildings). Fixed assets are further classified into:
Operational Assets	Assets used in the direct delivery of those services for which the Authority has a responsibility.
Community Assets	Assets that the Authority intends to hold in perpetuity, which have no determinable useful life, and which may have restrictions on their disposal.
Infrastructure Assets	Assets that are required in order to enable other developments to take place.
Non-Operational Assets	Assets that are held by the Authority but not directly used or occupied e.g. surplus buildings held pending sale or redevelopment.
BALANCES	The capital or revenue reserves of the Authority, made up of the accumulated surplus of income over expenditure on any of the Funds.
BALANCE SHEET	A statement of the assets , liabilities and other balances at the end of an accounting period (e.g. a financial year).
BILLING AUTHORITY	This is an authority, which has the task of collecting the Council Tax from the Council Taxpayers within its geographical area. North Dorset District Council is such an authority.
CAPITAL	Expenditure on the acquisition, creation or enhancement of tangible assets which yields benefit to the Authority for more than a year and/or income from the sale of such assets .
CAPITAL CHARGES	Charges made to services for the use of their fixed assets . Capital charges comprise two elements:
Notional Interest	A capital financing charge determined by applying a specified notional rate of interest to the amount at which assets are included within the Balance Sheet.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset. This is calculated based on the remaining life of an asset, and charged to revenue on a reducing balance basis on all depreciable assets except where the remaining life of the asset can be measured.
CAPITAL RECEIPTS	Income from the sale of tangible fixed assets . Such receipts may be used to finance additional capital expenditure but a certain proportion has to be set aside to repay debt and only the remainder is usable.
CREDITORS	Money owed TO individuals or organisations BY the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been made.

Glossary of terms used in the accounts

DEBTORS	Money owed BY individuals or organisations TO the Authority in respect of work done or services rendered within the financial year but for which payment has not yet been received.
DEFERRED CHARGES	An item in the Balance Sheet of a capital nature where there is no tangible fixed asset in existence (for example improvement grants given to the owners of private houses – this is capital expenditure for which the Authority does not receive a fixed asset).
EXPENDITURE	Amounts paid by the Authority for goods received or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment – expenditure is deemed to have been incurred once the goods or services have been received even if they have not yet been paid for (in which case the supplier is a creditor of the Authority).
INCOME	Amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment – income is deemed to have been earned once the goods or services have been supplied even if the payment has not yet been received (in which case the recipient is a debtor of the Authority).
LEASING	A method of financing capital expenditure where a rental is paid for an asset for a specified period of time. There are two forms of lease; a Finance Lease involves the payment of the full cost of the asset and at the end of the leasing agreement the asset will belong to the Authority. An Operating Lease involves the payment of a rental for the use of the asset and at the end of the leasing agreement the asset will not belong to the Authority.
LIABILITIES	Amounts due to individuals or organisations, which will have to be paid at some time in the future. Current Liabilities are usually payable within one year of the Balance Sheet date.
OUTTURN	The final actual income and expenditure earned or incurred in a financial year.
PRECEPTS	The method by which a non-billing authority obtains the income it requires by making a levy on the appropriate billing authorities (i.e. Police and Fire). Billing authorities will themselves precept on the Collection Fund to obtain their own income.
PROJECTED UNIT METHOD	<p>An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:</p> <ol style="list-style-type: none">The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants allowing, where appropriate, for future increases; andThe accrued benefits for members in service on the valuation date. <p>The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.</p>

Glossary of terms used in the accounts

PROVISIONS	These are sums set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.
RESERVES	These are sums set aside to meet possible future costs where there is not certainty about whether or not the costs will actually be incurred.
RETIREMENT BENEFITS	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either <ol style="list-style-type: none">i. An employers decision to terminate an employee's employment before the normal retirement date orii. An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
REVENUE	Income and expenditure arising from day-to-day activities.
REVENUE SUPPORT GRANT	This is an annual grant paid by central Government as its contribution towards the cost of the Authority's services in general.
STATEMENTS OF STANDARD ACCOUNTING PRACTICE	These describe methods of accounting approved by the accountancy profession through the Accounting Standards Board and the Financial Reporting Council as being best professional practice, and they are intended to apply to all organisations (albeit with some amendments or minor exceptions).