

NORTH DORSET DISTRICT COUNCIL

STATEMENT OF ACCOUNTS - YEAR ENDED 31 MARCH 2008

LEADER OF THE COUNCIL

Councillor Peter Webb

CHIEF EXECUTIVE

Liz Goodall

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Foreword to the Statement of Accounts

Explanatory Foreword

1. INTRODUCTION

This document sets out North Dorset District Council's accounts for the year 2007/08. 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 2007/08.

The accounts have been divided into six sections as detailed below:

Section 1: Statement of Accounting Policies. This explains the basis of the figures used in these accounts and follows this Foreword. It is followed by the Statement of Responsibilities for the Accounts which identifies the roles of the Council and the Responsible Financial Officer.

Section 2: Core Financial Statements. This section shows the main accounting statements and is made up of:

- the Income and Expenditure Account, which details income and expenditure for the year and highlights the cost of the Council's services;
- the Statement of Movement on the General Fund Balance, which reconciles the profit or loss on the Income and Expenditure Account to the surplus or deficit on the General Fund, which represents the impact on council tax payers;
- the Statement of Total Recognised Gains and Losses, which brings together all the recognised gains and losses of the Council during the year;
- the Balance Sheet, which sets out the financial position of the Council on 31 March 2008. It shows the balances and reserves held, the assets and liabilities of the Council and also the Collection Fund balance; and
- the Cash Flow Statement, which summarises the inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Section 3: The Notes to the Core Financial Statements. These provide further details and explanations of the figures making up the Core Financial Statements.

Section 4: The Collection Fund. In this statement billing authorities record the transactions relating to Council Tax and Business Rates.

Section 5: The Annual Governance Statement. This describes the corporate governance of the Council and any known weaknesses in corporate governance.

Section 6: Glossary. The accounts include some technical terms which are explained in the Glossary.

2. 2007/08 ORIGINAL BUDGET

After consideration of the financial requirements for the year, the Council set its Council Tax for a Band D property at £94.20 to cover District Council net expenditure of £6,729,064 (excluding parish precepts).

3. 2007/08 OUTTURN

The Council anticipated using £466,000 of reserves to support the budget for 2007/08. Savings achieved during the year meant that only £25,000 was required and reserves were £441,000 higher than expected. The table below shows a comparison of the actual expenditure for 2007/08 against the original budget. It should be noted that due to accounting adjustments required by the Statement Of Recommended Practice, which are not reflected in budgets, a direct reconciliation between the outturn and the Income and Expenditure Account is not possible.

Service Area	Actual Expenditure £000s	Original Budget £000s	Variance £000s
Central Services	1,480	1,643	(163)
Culture, Environmental & Planning Services	6,968	6,564	404
Highways, Roads & Transport Services	200	250	(50)
Housing Services	1,280	1,038	242
Total Cost of Services	9,928	9,495	433
Add:			
Town/Parish Precepts	1,583	1,583	0
Less:			
Pension Adjustments	(218)	0	(218)
Capital Charges	(1,711)	(1,386)	(325)
Interest Received	(1,208)	(914)	(294)
Net Operating Expenditure	8,374	8,778	(404)
Transfer to/(from) reserves	(25)	(466)	441
Net Revenue Budget Requirement	8,349	8,312	37
Less:			
Income from Non-Domestic Rate Pool	(3,621)	(3,621)	0
General Government Grants	(669)	(608)	(61)
Transfer from Collection Fund	(59)	(59)	0
Income from Ratepayers	(4,023)	(4,024)	1
General Fund (surplus)/deficit	(23)	0	(23)

4. MEDIUM TERM FINANCIAL STRATEGY

The Council recognises that it faces severe pressure on its revenue resources. The Medium Term Financial Strategy seeks to achieve a position whereby the council tax will increase at 5% per annum over the next five years. To achieve this net revenue expenditure will need to decrease by approximately £2 million over the same period and revenue reserves used to manage the transition. A programme of cost reduction measures, known as the Tough Choices Programme, has been agreed to achieve this cost reduction; it comprises three elements:

- (i) Local Delivery: the transfer of discretionary services to other service providers, principally Town and Parish Councils.
- (ii) Focused Resources: reductions in costs by ceasing or cutting services and developing new sources of income.
- (iii) Business Transformation: using new technology and business processes to achieve productivity increases and generate savings.

The budget agreed for 2008/09 has delivered just over £1 million in savings and does not envisage the use of reserves to balance the budget.

The Council has a five year capital programme from 2008/09 to 2012/13 of approximately £5.8 million, against available resources of £6.8 million.

5. BEST VALUE PERFORMANCE PLAN SUMMARY

There are no differences between the figures reported in Note 3 above and the Summary of Financial Performance as reported in the Best Value Performance Plan.

6. CAPITAL

In 2007/08 the Council spent £2.179 million on capital projects. The schemes upon which expenditure was incurred were:

	£000s
Car Parks	8
Public Conveniences	10
Vehicles	11
Recreational Sites	66
Leisure Centres	223
Council Offices	169
IT Projects	175
Housing Capital Grants	318
Liveability Grants	1,010
Other Capital Grants	189
Total	<u>2,179</u>

Expenditure on the capital programme is funded from capital receipts, Government grants, contributions from third parties and revenue. The Council has capital resources of £6.8 million as at 1 April 2008 against a committed capital programme of £5.8 million.

7. EXTERNAL DEBT

On 1 April 2004 Government controls on borrowing were abolished and replaced with a Prudential Code issued by the Chartered Institute for Public Finance and Accountancy (CIPFA). The Council set its borrowing limits under the new Prudential Code in March 2007 and did not undertake any borrowing during 2007/08, thus remaining debt free through the year.

8. MATERIAL ASSETS ACQUIRED AND LIABILITIES INCURRED

There were no material assets acquired in 2007/08.

There were no material liabilities incurred for 2007/08.

9. PENSIONS

The notes to the Core Financial Statements show the assets of the pension fund relating to the Council, as required by Financial Reporting Standard 17. This has increased the costs shown against services in the Income and Expenditure Account and the effect is disclosed in Note 28 to the Core Financial Statements. Assets currently represent 78.1% of liabilities (72.7% 2006/07). The Council reduced its contribution rate in 2007/08 to 16.4% (17.6% 2006/07) of employees' salaries, based upon the Actuarial Valuation of the Fund as at 31 March 2004, at which time the actuary advised that this rate would be sufficient to meet the full pension costs by the year 2025.

On 30 March 2006, amending regulations in respect of the Local Government Pension Scheme were laid before Parliament. These regulations removed the "Rule of 85" for benefits accruing after 1 October 2006, with transitional protection for those born before 31 March 1953. In addition, scheme members will be able to exchange pension for additional lump sum benefits under the new tax rules which came into place on 6 April 2006. The removal of the "Rule of 85" will not affect the 2007/08 accounts but the ability of scheme members to opt for higher lump sum payments in return for lower pensions will impact on the valuation of accrued liabilities in 2007/08.

It has been assumed in compiling the FRS 17 disclosures that 50% of retiring employees will opt to take higher lump sum payments and lower pensions.

10. MATERIAL CHARGES AND CREDITS

There are no unusual charges or credits on which to report for 2007/08.

11. CHANGES TO ACCOUNTING POLICIES

The accounts for 2007/08 have been prepared in accordance with the 2007 Statement of Recommended Practice (SORP) issued by CIPFA. The 2007 SORP has introduced changes to the accounting treatment of tangible fixed assets and requires more extensive disclosures with respect to financial instruments as disclosed in Note 2 to the Accounting Policies.

12. CHANGES TO STATUTORY FUNCTIONS

There were no changes to statutory functions which had a significant impact on the accounts.

13. GROUP ACCOUNTS

The 2007 Statement of Recommended Practice (SORP) requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The financial statements would include:

- group income and expenditure account
- group statement of the movement on the general fund balance
- group statement of total recognised gains and losses
- group balance sheet
- group cash flow statement
- notes to the group accounts

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

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

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

- Interests in other entities as shown in Note 10 to the Core Financial Statements.

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

This position is reviewed and updated on an annual basis.

14. FURTHER INFORMATION

Further information about the accounts is available from the Financial Services Division, North Dorset District Council, Nordon, Salisbury Road, Blandford Forum, Dorset DT11 7LL. It is the Council's policy to provide full information to the public about its affairs. Interested members of the public have a statutory right to inspect the accounts before the audit is completed, and further details are provided on the Council's website (www.north-dorset.gov.uk): the availability of the accounts for inspection is also advertised in the local press. The accounts have been audited, and the auditor's certificate is on pages 62 to 64.

Statement of Accounting Policies

Statement of Accounting Policies

1. GENERAL

The Statement of Accounts summarises the Council's transactions for the financial year 2007/08 and its position at the year ending 31 March 2008. It has been prepared in accordance with all legislative requirements and in keeping with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007: Statement of Recommended Practice* (the SORP) and the *Best Value Accounting Code of Practice 2007 (BVACOP)*, issued by CIPFA. The guidance notes issued by CIPFA on the application of accounting standards have also been followed unless otherwise stated. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The financial information in this Statement, including the techniques used for estimation, has been prepared after taking into account its relevance, reliability, comparability, understandability and materiality. All material transactions have been disclosed and the accounts include relevant accruals. The accounts have been prepared on a going concern basis, on the presumption that the Council will continue in operation.

Local authorities derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. Therefore where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

2. CHANGES TO ACCOUNTING POLICIES

The 2007 SORP has modified the accounting treatment for assets to reflect more closely Generally Accepted Accounting Practices in the UK (UK GAAP). The new treatment will also make the compilation of Whole of Government Accounts simpler in that differences between local government accounting and that applied in other parts of the public sector will be reduced. The SORP has modified the treatment of depreciation but does not require a prior year adjustment to be made. The accounting treatment of tangible fixed assets is disclosed in Note 5 below.

The new treatment particularly affects the Balance Sheet in that the Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Capital Adjustment Account and a Revaluation Reserve. Balances on the accounts have been combined and brought forward in the Capital Adjustment Account.

Additional disclosures have also been included in the accounts with respect to Financial Instruments reflecting the requirements of FRS 25 *Financial Instruments: Presentation and Disclosures*, FRS 26 *Financial Instruments: Recognition and Measurement* and FRS 29 *Financial Instruments: Disclosures*.

3. ESTIMATION PROCEDURES

The following estimation procedures have been applied in presenting these accounts:

- *Pension costs charged to the Income and Expenditure Account as set out in Note 14 below.*
- *Pensions – Roll Forward Approach: In order to assess the value of the employer’s liabilities as at 31 March 2008, the actuary has rolled forward the value of the employer’s liabilities reported as at the latest formal valuation, allowing for the different financial assumptions required under FRS 17. In calculating the asset share, the actuary has rolled forward the assets allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by and in respect of the employer and its employees. It is not possible to assess the accuracy of the estimated liability as at 31 March 2008 without conducting a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2008 should not introduce any material distortions in the results, provided that the actual experience of the employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The actuary is satisfied that this approach is appropriate.*
- *Pensions – Service Cost: The projected unit method has been used to calculate the service cost.*
- *Pensions – Demographic and Statistical Assumptions: the actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2007. It has also been assumed that in future 50% of retiring members will opt to increase their lump sums at retirement in exchange for lower pensions.*
- *Pensions – Financial Assumptions: These are set out in Note 28 to the Core Financial Statements.*
- *Pensions – Expected Return on Assets: The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2007 for the year to 31 March 2008). These are set out in Note 28 to the Core Financial Statements.*
- *Provisions for bad debts are estimated based on the age of the debt and the likelihood of recovery.*
- *Housing Benefit Subsidy income has been estimated on the basis of an unaudited draft final claim.*
- *The distribution of the balance on the Collection Fund is estimated based on the relative precepts of the authorities paid from the fund.*

4. INTANGIBLE FIXED ASSETS

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

5. TANGIBLE FIXED ASSETS

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council, and the services that it provides for more than one financial year. Expenditure that secures

but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged direct to revenue as it is incurred.

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

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

Net current replacement cost is assessed as:

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

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

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

Disposals: When an asset is disposed of or decommissioned the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve and can then only be used to finance new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written off value of disposals is not a charge against council tax as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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

Depreciation is calculated according to the following policy:

- *Depreciation is calculated using the straight-line method.*
- *Newly acquired assets are depreciated from the following year, although assets in the course of construction are not depreciated until they are brought into use.*
- *Depreciation periods are disclosed in Note 21 to the Core Financial Statements.*
- *Where an asset has major components with different estimated useful lives these are depreciated separately.*
- *Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.*

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

6. 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:

- *depreciation attributable to the assets used by the relevant service*
- *impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off*
- *amortisation of intangible fixed assets attributable to the service*

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. These charges are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account.

7. DEFERRED CHARGES

Deferred charges represent expenditure that may be capitalised under statutory provisions 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 deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so that there is no impact on the level of council tax.

8. LEASES

The only lease arrangements entered into by the Council are 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. (See Note 19 to the Core Financial Statements).

9. GOVERNMENT GRANTS AND CONTRIBUTIONS

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 Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant has been given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

10. ACCRUALS OF INCOME AND EXPENDITURE

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

- *Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services;*
- *Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet;*
- *Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet;*
- *Interest payable on borrowing and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined for the contract;*
- *Where income or 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.*

11. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. The purpose of the Council's reserves is explained in Note 27 to the Core Financial Statements.

12. 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 transaction is uncertain. Provisions are charged to the appropriate service revenue account when the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet.

Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made) the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment to settle a provision is expected to be met by another party, this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled. The Council's provisions are disclosed in Note 23 to the Core Financial Statements.

13. 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 2007(BVACOP)*. The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account as part of the Net Cost of Services.

The bases of allocation used for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
• <i>All Central Departments</i>	<i>Actual time spent by staff</i>
• <i>Civic, Members & Related Expenses</i>	<i>Charged to Democratic Representation and Management Service</i>
• <i>Administrative Buildings</i>	<i>Area occupied</i>
• <i>I. C.T. Services</i>	<i>Actual use</i>

14. RETIREMENT BENEFITS

Employees of the Council are members of the Local Government Pension Scheme administered by Dorset County Council, which is accounted for as a defined benefit 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 (an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees).
- Liabilities are discounted to their value at current prices, using a discount rate of 6.6% (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Dorset County Council pension fund 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 cost – the increase in liabilities as a result of years of service earned this year and allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years and debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid and debited to Net Operating Expenditure in the Income and Expenditure Account.
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on the average of the expected long term return and credited to the Net Operating Expenditure in the Income and Expenditure Account.
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees and debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions and debited to the Statement of Total Recognised Gains and Losses.
- contributions paid to the 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 Statement of Movement on the General Fund Balance this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end. This adjustment is estimated pro-rata to the actual charges made.

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.

15. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue and Customs and all VAT paid is recoverable from it.

16. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument.

17. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the Council has made this means that the amount presented in the Balance Sheet is the outstanding principle receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Fair value is assessed as follows:

- *where an investment will mature in the next 12 months the carrying amount is assumed to approximate to fair value*
- *the fair value of trade and other receivables is taken to be the invoiced or billed amount.*

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

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

Available-for-sale Assets

The Council does not have any available-for-sale assets.

18. STOCKS AND WORK IN PROGRESS

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

Responsibility for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Financial Services Manager;*
- *manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;*
- *approve the Statement of Accounts.*

I confirm that these accounts were approved by the Accounts and Audit Committee as council minute 55.



S. HITCHINGS
CHAIRMAN of the ACCOUNTS and AUDIT COMMITTEE

26 June 2008

The Financial Services Manager's Responsibilities

The Financial Services Manager, as the Responsible Financial Officer, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Statement of Recommended Practice')*.

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 Statement of Recommended Practice.*

The Financial Services Manager has also:

- *kept proper accounting records which are up to date;*
- *taken reasonable steps for the prevention and detection of fraud and other irregularities;*
- *ensured that a proper system of internal control is in place;*
- *provided all accounting records to the Council's auditors and ensured that all transactions undertaken by the Council have been properly reflected and recorded in the accounting records;*
- *provided and made available proper and full information to the Council's auditors.*

The Financial Services Manager also confirms that:

- *there are no other contingent liabilities other than those that have been properly disclosed and recorded in the financial statements;*
- *there is no significant pending or threatened litigation other than that already disclosed in the financial statements;*
- *there are no material commitments or contractual issues other than those already disclosed in the financial statements;*
- *there are no other material transactions with related parties, other than those which have been properly recorded and disclosed in the financial statements;*
- *all debtor and creditor balances between the Council and external bodies have been identified and are accurately disclosed in the financial statements;*
- *the assets contained within the statements are either owned or leased by the Council and are supported by adequate provisions for dilapidation and impairment and shown with appropriate residual asset lives;*
- *expenditure on fixed assets is assumed to increase the value of that asset by the amount spent and this figure is used until the next revaluation;*
- *since the date of approval of the financial statements by Members of the Council, there have been no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements;*
- *there are no other material transactions relating to losses, financial statements, third party assets and other commitments other than those disclosed in the financial statements;*
- *there are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finance or operation of the Council;*
- *the assets of the Council have not been used as security for loans;*
- *the Council has no plans or intentions that materially affect the existing valuation or classification of assets and liabilities.*

I certify, that I have complied with my responsibilities as set out above and that the accounts present fairly the financial position of the Council at the accounting date of 31 March 2008, and its income and expenditure, total recognised gains and losses and cash flows for the financial year then ended.



V. SMITH C.P.F.A.
FINANCIAL SERVICES MANAGER
26 June 2008

The Core Financial Statements

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2006/07 Net Expenditure £000s		2007/08 Gross Expenditure £000s	2007/08 Income £000s	2007/08 Net Expenditure £000s
Service Expenditure				
656	Central Services to the Public	4,473	3,694	779
6,161	Cultural, Environmental & Planning Services	9,142	2,224	6,918
161	Highways, Roads & Transport Services	642	442	200
1,409	Housing Services	12,252	10,981	1,271
1,462	Corporate & Democratic Core	1,196	504	692
6	Non Distributed Costs	0	0	0
9,855	NET COST OF SERVICES	27,705	17,845	9,860
Other Operating Expenditure:				
(125)	(Gain)/Loss on the Disposal of Fixed Assets	118	0	118
1,328	Parish & Town Council Precepts	1,583	0	1,583
(11)	Trading Account (surplus)/deficit	235	220	15
(1,070)	Interest & Investment Income	0	1,208	(1,208)
181	Pensions Interest Costs/Expected Return	181	0	181
303		2,117	1,428	689
10,158	NET OPERATING EXPENDITURE	29,822	19,273	10,549
SOURCES OF FINANCE				
(3,627)	Council Taxpayers			(4,023)
(3,448)	Non-Domestic Rate Income			(3,621)
(681)	General Government Grants			(669)
(16)	Transfer to/(from) Collection Fund			(59)
2,386	(Surplus)/deficit for the Year			2,177

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- capital investment is accounted for as it is financed rather than when the fixed assets are consumed.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

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

2006/07 Net Expenditure £000s	2007/08 Net Expenditure £000s	Note
2,386	Income & Expenditure Account (surplus)/deficit	2,177
(2,250)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(2,200) 12
136	General Fund (surplus)/deficit	(23)
(839)	Balance on General Fund brought forward	(703)
136	(Surplus)/Deficit for the year	(23)
(703)	Balance on General Fund carried forward	(726)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006/07		2007/08	Note
£000s		£000s	
2,386	Income & Expenditure Account (Surplus)/Deficit	2,177	
(1,961)	Surplus on revaluation of fixed assets	(1,352)	14
(944)	Actuarial (gains)/losses on Pension Fund assets & liabilities	(2,683)	28
1	Deficit on the Collection Fund	42	
(207)	Other (gains)/losses	0	
<u>(725)</u>	Total Recognised (Gains) and Losses	<u>(1,816)</u>	

Cash Flow Statement

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

2006/07 £000s	ACCOUNTING STATEMENT	2007/08 £000s	£000s	Notes
	REVENUE ACTIVITIES			
	Cash Outflows			
7,351	Cash paid to and on behalf of employees	8,578		
4,491	Other operating cash payments	9,310		
9,555	Housing Benefit paid out	9,928		
10,745	Payment to National Non-Domestic Rate Pool	11,725		
32,787	Precepts to other authorities	35,325		
<u>64,929</u>			74,866	
	Cash Inflows			
(32,518)	Council Tax income	(34,324)		
(3,448)	Receipts from National Non-Domestic Rate Pool	(3,621)		
(12,377)	National Non-Domestic Rate income	(11,472)		
(681)	Government Grants - Revenue Support Grant	(608)		36
(12,837)	Government Grants - Benefit Subsidy	(14,089)		36
(307)	Government Grants - Other	(440)		36
(3,951)	Cash received for goods and services	(8,483)		
0	Other operating cash receipts	0		
<u>(66,119)</u>			(73,037)	
	Net Cash Outflow/(Inflow) from Revenue Activities		<u>1,829</u>	32
<u>(1,190)</u>				
	SERVICING OF FINANCE			
	Cash Outflows			
0	Interest paid	0		
	Cash Inflows			
(1,064)	Interest received	(1,150)		
<u>(1,064)</u>	Net Cash Inflow from Servicing of Finance		<u>(1,150)</u>	
	CAPITAL ACTIVITIES			
	Cash Outflows			
1,149	Purchase of fixed assets	412		
	Purchase of Long Term Investments	5,000		
846	Other capital cash payments	380		
<u>1,995</u>			5,792	
	Cash Inflows			
0	Sale of fixed assets	(804)		
(349)	Capital grants received	(769)		36
(275)	Other capital cash receipts	1,370		
<u>(624)</u>			(203)	
<u>1,371</u>	Net Cash Outflow/(Inflow) from Capital Activities		<u>5,589</u>	
<u>(883)</u>	Net Cash Outflow/(Inflow) before Financing		6,268	35
	MANGEMENT OF LIQUID RESOURCES			
550	Movements in Short Term Investments		(6,510)	33
<u>(333)</u>	FINANCING			
	(Increase)/Decrease in Cash		<u>(242)</u>	34

Notes to the Core Financial Statements

Notes to the Core Financial Statements

1. PRIOR PERIOD ADJUSTMENT

The 2007 SORP has modified the accounting treatment for assets to reflect more closely Generally Accepted Accounting Practices in the UK (UK GAAP) and affects the way that local authorities account for depreciation. No prior period adjustments have been made to the depreciation calculations.

The new treatment particularly affects the Balance Sheet in that the Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Capital Adjustment Account and a Revaluation Reserve. Balances on the accounts have been combined and brought forward in the Capital Adjustment Account.

2. TRADING OPERATIONS

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 surplus of £14,750 in the year (£11,311 in 2006/07) analysed as follows:

2006/07 £000's	Trading Activity	Expenditure £000's	2007/08 Income £000's	Total £000's
(14)	Markets	21	(37)	(16)
(37)	Industrial Units	101	(124)	(23)
40	Wincombe Business Centre	113	(59)	54
<u>(11)</u>		<u>235</u>	<u>(220)</u>	<u>15</u>

3. DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a service in the United Kingdom and mayoral appeals. Under this section local authorities are required to account separately for any such expenditure. The Council's did not incur any expenditure under this power in 2007/08 (2006/07 £225).

4. PUBLICITY EXPENDITURE

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Council's spending on publicity:

2006/07 £000s		2007/08 £000s
36	Recruitment Advertising	49
1	Tourism Publicity	0
79	Other Publicity	63
<u>116</u>		<u>112</u>

5. BUILDING CONTROL

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.

From 1 April 1999, the Council was required to set its own charges for Building Regulation application work, so as to recover its costs over any consecutive three-year period. The costs and income relevant to the Building Control function are shown in the Income and Expenditure Account in the cost of services. In 2007/08, this service cost £368,495 and attracted income of £303,107, resulting in a deficit of £65,388 (2006/07 £70,454 deficit).

The chargeable part of the service has made a surplus of £138,312 over the last three years of operation.

Certain activities performed by the Building Control Section cannot be charged for. The statement below shows the total cost of operating the Building Control Section divided between the chargeable and non-chargeable activities.

Chargeable Building Control 2006/07 £000s	Building Regulations Charging Account	Chargeable 2007/08 £000s	Non-Chargeable 2007/08 £000s	Total Building Control 2007/08 £000s
	Expenditure			
0	Employees expenses	0	0	0
17	Supplies and services	16	1	17
264	Support costs	266	85	351
281	Total Expenditure	282	86	368
	Income			
(319)	Building Regulation fees	(303)	0	(303)
(319)	Total Income	(303)	0	(303)
(38)	(Surplus)/Deficit for Year	(21)	86	65

6. BUSINESS IMPROVEMENT DISTRICTS

The Council does not operate a Business Improvement District.

7. LOCAL AREA AGREEMENTS

The Council is a participant in a Local Area Agreement (LAA), a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA completed the final year of its three year agreement.

The purpose of the LAA is:

- to form an agreement between the Dorset Strategic Partnership (DSP), Government (represented by Government Office for the South West), and other external agencies, to ensure that together we work under a common sense of purpose to improve the quality of life for people in Dorset, now and for the future, by improving service delivery in the locality to better achieve the Dorset Community Strategy.
- to agree specific delivery outcomes and targets that will be achieved each year for the three years of the agreement.
- to improve local service delivery, by pooling area based funding, to address national and local priorities, supporting improved performance management and providing local accountability, through joined up services.

The LAA partners are:

- local government bodies – Christchurch Borough Council, Dorset County Council, East Dorset District Council, North Dorset District Council, Purbeck District Council, West Dorset District Council and Weymouth and Portland Borough Council
- community protection authorities – Dorset Police Authority, Dorset Fire Authority
- health bodies – Dorset Primary Care Trust
- voluntary organisations – Dorset Association of Parish and Town Councils

Dorset County Council acts as the accountable body for the LAA. This means that it is responsible for managing the distribution of grant paid by the Government Office to the partners involved but it does not determine which bodies are due payments – this is determined either by the Government Office or the Dorset Strategic Partnership (DSP).

The total amount of LAA grant received by the DSP in 2007/08 was £4.5m. The council received £55,000 of this total to fund recycling services.

8. MEMBERS' ALLOWANCES

A total of £208,276 in Members' Allowances was paid in 2007/08 (£205,044 in 2006/07).

9. EXECUTIVE REMUNERATION

During 2007/08 the number of employees whose remuneration exceeded £50,000 (including benefits in kind, but excluding pension contributions) was as follows:

2006/07 Employees	Total Remuneration	2007/08 Employees
0	Between £90,001 and £100,000	0
1	Between £80,001 and £90,000	1
0	Between £70,001 and £80,000	0
3	Between £60,001 and £70,000	3
0	Between £50,000 and £60,000	1

10. RELATED PARTY TRANSACTIONS

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

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with central government are disclosed in Note 36.

Members and officers have interests in the following bodies where the following material transactions arose during the year:

Payments

	£000s
• Dorset Community Action (Councillors D Fox & M Cox)	191
• Baldric (Councillor M Cox)	100
• Three Rivers Partnership (Councillors D Milstead & I Stewart)	57
• Sturquest (Councillor D Fox)	15
• Artsreach (Councillor J Hickish)	14
• Treads (Councillor J Tanner)	10
• Tobys (Councillors D Beer & M Jeffrey)	8

Amounts due to and from related parties are disclosed in Notes 29 and 30. A register of members interests is maintained and is open to public inspection.

Related parties also include:

- Dorset Police Authority and Dorset Fire Authority (as major precepting authorities) as disclosed in the Collection Fund.
- Dorset County Council (as a major precepting authority and administrator of the Dorset County Council Pension Fund) as disclosed in Note 28 and the Collection Fund.

11. AUDITOR REMUNERATION

The Council was audited by the Audit Commission in 2007/08 and was due to pay £118,988 for audit services in 2007/08 (£108,388 in 2006/07) as shown below.

2006/07		2007/08
£000's		£000's
87	Fees payable for audit services carried out by the appointed auditor	87
0	Fees payable in respect of statutory inspection	13
21	Fees payable for the certification of grant claims and returns	19
0	Fees payable for other services provided by the appointed auditor	0
108	Total	119

12. GENERAL FUND

The Income and Expenditure Account does not include certain adjustments required by statute or non-statutory proper practices but are required to be charged to the General Fund. It is the General Fund balance, rather than the Income and Expenditure Account, which shows the impact of the Council operations on the council tax payer. These additional charges are shown in the Statement of Movement on the General Fund and are analysed in the table below.

2006/07 £000's		2007/08 £000's
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(149)	Amortisation of intangible fixed assets	(145)
(1,564)	Depreciation and impairment of fixed assets	(1,404)
335	Government Grants deferred amortisation	239
(320)	Write downs of deferred charges financed from capital resources	(380)
125	Net gain/(loss) on the sale of fixed assets	(118)
(1,248)	Net charges made for retirement benefits in accordance with FRS17	(1,332)
(109)	Commutation Adjustment	(21)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year	
859	Employer's contributions payable to the pension fund	986
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
0	Contribution to capital contributions from developers	0
(179)	Net transfer to/(from) earmarked reserves	(25)
(2,250)	Net additional amount required to be credited to the General Fund balance for the year	(2,200)

13. INTANGIBLE FIXED ASSETS

Intangible assets comprise software licenses and are amortised to service accounts on a straight-line basis from the year of acquisition over a three year period which represents their economic lives.

2006/07 £000's		2007/08 £000's
357	Original cost	448
(140)	Amortisations to 1 April	(289)
217	Balance as at 1 April	159
91	Expenditure in year	49
(149)	Written off to revenue in year	(145)
159	Balance as at 31 March	63

14. PURCHASE AND DISPOSAL OF FIXED ASSETS

Operational Assets

	Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Total 2007/08
	£000s	£000s	£000s	£000s	£000s
Gross book value as at 1 April 2007	12,975	5,405	343	447	19,170
Cumulative Depreciation and impairment	0	(3,984)	(14)	0	(3,998)
Net book value as at 1 April 2007	12,975	1,421	329	447	15,172
Additions	307	144	0	0	451
Disposals	(30)	0	0	(149)	(179)
Reclassifications	200	0	0	0	200
Revaluations	859	0	2	182	1,043
Depreciation	(365)	(828)	(2)	0	(1,195)
Impairments	(63)	(2)	0	0	(65)
Net book value as at 31 March 2008	13,883	735	329	480	15,427

Non-Operational Assets

	Investment Properties	Assets Under Construction	Surplus Assets	Total 2007/08
	£000s	£000s	£000s	£000s
Gross book value as at 1 April 2007	2,720	530	1,558	4,808
Cumulative Depreciation and impairment	0	0	0	0
Net book value as at 1 April 2007	2,720	530	1,558	4,808
Additions	0	43	0	43
Disposals	(586)	0	0	(586)
Reclassifications	0	(200)	0	(200)
Revaluations	127	3	179	309
Depreciation	(25)	0	0	(25)
Impairments	(28)	0	(89)	(117)
Net book value as at 31 March 2008	2,208	376	1,648	4,232

15. FINANCING OF CAPITAL EXPENDITURE

Capital Expenditure was financed as follows:

2006/07 £000s		2007/08 £000s
	Capital Investment	
91	Intangible Assets	49
736	Operational Assets	451
251	Non-Operational Assets	43
918	Deferred Charges	1,636
1,996	Total Capital Investment	2,179
	Sources of Finance	
1,398	Capital Receipts	923
598	Capital Grants and Contributions	1,256
0	Revenue Funds	0
1,996	Total Capital Financing	2,179

Since the Council is debt free it is able to use funds set aside for the repayment of debt to finance capital expenditure. The use of these funds affects the Council's Capital Financing Requirement, which measures the underlying need to borrow. The Council is able to use capital receipts set aside to the extent that the Capital Financing Requirement remains negative. As at 1 April 2007 the Capital Financing Requirement was -£3.162 million. During the year the Council used £923,000 of reserved receipts, leaving sufficient headroom in the Capital Financing Requirement to fund future capital expenditure.

16. DEFERRED CHARGES

	Disabled Facilities Grants £000s	Other £000s	Total £000s
Balance as at 1 April 2007	0	0	0
Expenditure in Year	261	1,375	1,636
Amounts Written Off	(261)	(1,375)	(1,636)
Balance as at 31 March 2008	0	0	0

17. CAPITAL COMMITMENTS

As at 31 March 2008 there were no contractual capital commitments outstanding.

18. INFORMATION ON ASSETS HELD

All of the Council's assets relate to the General Fund. Fixed assets owned by the Council as at 31 March 2008 include the following:

Land & Buildings

Off-Street Car Parks	18
Public Conveniences	10
Leisure/Recreation/Community Centres	8
Municipal Buildings	1
Industrial & Business sites	3
Depots	2
Other Miscellaneous Properties	45

Vehicles, Plant & Equipment

Included in this category of assets are vehicles, items of play equipment, recycling bins, sports equipment, computer equipment and printing equipment.

Infrastructure

The Council owns various access roads and bridges.

Community

These include the land along side the River Stour and other open spaces and amenity areas.

Non-Operational

Non-operational assets are fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. These include a number of miscellaneous properties and areas of land. Assets under construction are also included within this category.

19. LEASES

The Council uses a range of leased vehicles in carrying out the various services it undertakes that are financed under terms of operating leases: the amount charged to revenue in 2007/08 under these arrangements was £118,302 (£122,795 in 2006/07).

The following commitments under operating leases remain outstanding for 2008/09:

Leases Expiring	Land & Buildings £000's	Other Assets £000's
During 2008/09	0	11
Between 1/4/09 & 31/3/12	0	95
After 1/4/12	0	0
Total	0	106

The Council also acts as a lessor by granting leases to third parties for the use of Council land or buildings. The leases are accounted for as operating leases, with the asset remaining under the ownership of the Council and appearing in the Council's Balance Sheet. Any income generated from the lease appears as income in the Council's Income and Expenditure Account. In many cases, where the lease is granted with another council or community organisation, the lease charged is only a peppercorn and is not the full market rental.

The Council owns the following assets that are leased to third parties:

Asset Classification	Rental Receivable 2007/08	Gross Amount of Assets Held	Accumulated Depreciation To Date	Net Amount of Assets Held
	£000's	£000's	£000's	£000's
General Properties	0	44	0	44
Community & Leisure Centres	0	559	0	559
Total	0	603	0	603

20. FIXED ASSET VALUATION

Freehold and leasehold properties, which comprise the Council's property portfolio, were valued initially as at 1 April 1994 by external independent valuers from the Dorset County Council Valuations and Estates Section, on the bases as disclosed in Note 5 to the Accounting Policies, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Non-property assets where the cost of acquisition exceeds £5,000 are also included within the Council's Asset Register and are shown at historic cost less depreciation.

The value of the Council's assets is reviewed regularly by a third party, Dorset County Council's Valuation and Estates Department, as part of a rolling programme of revaluation over a five year period. The results of these valuations are applied to the remainder of the holding. The basis of valuation is set out in the statement of accounting policies.

	Land & Buildings	Vehicles Plant & Equipment	Investment Properties / Surplus Asset	Total
	£000s	£000s	£000s	£000s
Valued at historical cost	0	735	0	735
Valued at current value in:				
2003/04	0	0	0	0
2004/05	0	0	0	0
2005/06	0	0	0	0
2006/07	0	0	0	0
2007/08	13,683	0	3,856	17,539
Total	13,683	735	3,856	18,274

The valuation for land and buildings includes the Gillingham Leisure Centre valued at £320,000. This facility was closed from 1 April 2008 and is due to be redeveloped later in the year. The valuation at 31 March 2008 does not therefore reflect the true value of the building after the balance sheet date.

Some of the assets forming part of the valuation of land and buildings include interests from third parties which would reduce the sums received by the Council if the assets were sold. The most notable asset affecting the accounts for 2007/08 is the Wincombe Centre valued at £800,000. The Council would receive 66% of any sale proceeds but the sale of this asset is unlikely to take place before the final publication of these accounts.

21. DEPRECIATION

For 2007/08, depreciation of £1,220,697 (£1,562,933 in 2006/07) was charged using the straight-line method, and based on the following assumed useful lives of assets:

- *Buildings owned by the Council – between 20 and 40 years as advised by the valuer.*
- *Buildings leased by the Council – the term of the lease.*
- *Public Conveniences – between 10 and 50 years as advised by the valuer.*
- *Children’s Play Equipment – 8 years.*
- *Plant and Equipment – normally 3 to 5 years, or a more appropriate period dependent upon the type of asset acquired.*
- *Intangible Assets – 3 years.*

22. INSURANCE RESERVES

The Council does not maintain an insurance reserve.

23. 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 1.4.07 £000’s	Provisions Made £000’s	Amounts Paid £000’s	Balance 31.3.08 £000’s
Remuneration Review	430	0	(430)	0
Wincombe sinking fund	1	1	0	2
Anti-social behaviour contingency	5	0	(3)	2
Total	436	1	(433)	4

24. CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account shows the accumulated capital resources set aside to meet past capital expenditure.

	2007/08 £000s
Balance as at 1 April	(22,797)
Amounts Written Off Fixed Asset Balances for Disposals	516
Depreciation	1,404
Amortisation of Intangible Assets	145
Amortisation of Government Grants Deferred	(239)
Deferred Charges written down	380
Capital expenditure charged to the General Fund	21
Capital expenditure funded by usable capital receipts	0
Transfers to/(from) other reserves	0
Total Movement on Reserve	2,227
Balance as at 31 March	(20,570)

25. REVALUATION RESERVE

The Revaluation Reserve shows total gains on the revaluation of fixed assets not yet realised through sales.

	2007/08 £000s
Balance as at 1 April	0
(Gains)/Losses on Revaluation of Fixed Assets	1,107
Impairment of Assets	0
Movement on Reserve	1,107
Balance as at 31 March	1,107

26. CAPITAL RESERVES

	Usable Capital Receipts £000s	Grants & Contributions £000s
Balance as at 1 April 2007	(3,470)	(4,382)
Amounts Receivable in 2007/08	(646)	(608)
Amounts Applied to Finance New Capital Investment	0	261
Balance as at 31 March 2008	(4,116)	(4,729)

The Usable Capital Receipts Reserve represents the capital receipts generated from the sale of Council assets available to finance capital expenditure in future years.

The Capital Grants and Contributions Reserve contains sums received, mainly from developers, as contributions towards infrastructure improvements in the District.

Included within the Capital Grants and Contributions approximately £1.4 million is held on behalf of Dorset County Council and will be transferred to the County once certain work contained within the Local Plan commences.

27. EARMARKED RESERVES & GENERAL FUND

	Balance 1.4.07 £000s	Transfers/ Receipts in Year £000s	Payments in Year £000s	Balance 31.3.08 £000s
Amenity Areas	(5)	0	0	(5)
Gold Hill Fund	(13)	0	0	(13)
Revenue Reserve - revenue	(804)	0	25	(779)
Revenue Reserve – capital	(1,036)	0	0	(1,036)
Total Reserves	(1,858)	0	25	(1,833)
General Fund	(703)	(23)	0	(726)

- *The Amenity Areas Reserve represents a sum received to be used for the maintenance of the Marsh and Ham amenity area.*
- *The Gold Hill Fund is used to maintain the historic cobbled hill in Shaftesbury.*
- *The Revenue Reserve provides resources for specific items of non-recurring revenue expenditure (e.g. planning inquiries, restructuring costs etc) and funds for future capital projects.*

28. PENSION RESERVE

2006/07 £000s		2007/08 £000s
(9,461)	Balance as at 1 April	(8,857)
	Movement in year:	
0	Change in Accounting Methodology	0
(1,061)	Current Service Cost	(1,151)
859	Contributions	933
51	Unfunded Pension Payments	52
(4)	Past Service Costs	0
(183)	Other Finance Income	(181)
944	Actuarial Gain/(Loss)	2,683
(2)	Settlements/Curtailments	0
604	Total Increase/(Decrease) in Pension Fund Assets	2,336
(8,857)	Balance as at 31 March	(6,521)

PENSION COSTS

Employees of North Dorset District Council are admitted to the Dorset County Council Pension Fund, which is administered by Dorset County Council under the Local Government Pension Scheme Regulations 1997, a defined benefit scheme. It is contracted out of the State Second Pension.

In 2007/08 the Council paid into the Pension Fund an employer's contribution of £933,000, based on 16.4% of employees' pensionable pay (£859,000 in 2006/07, 17.6%). However, the current service cost was £1,151,000 (£1,061,000 2006/07) and under the projected unit method of valuation this will increase as members of the pension scheme approach retirement.

The Council decided to maintain the contribution in 2007/08 as a result of the actuarial valuation of the Fund as at 31 March 2004, with the objective of meeting the full pension costs by the year 2025. Employees also pay 6% of their salary into the fund. In addition, the Council is responsible for all pension payments relating to added years benefits that it has awarded, together with any related increases.

On 4 April 2007, the Department for Communities and Local Government issued regulations for the Local Government Pension Scheme in England and Wales to come into effect from 1 April 2008. Under the regulations benefits earned after 31 March 2008 will remain final salary benefits but will be payable from age 65. Pensions will accrue at 60ths with no separate lump sum accrual although scheme members will be able to exchange pension for lump sum benefits. The rule of 85 has also been completely removed for benefits accruing after 31 March 2008 for those reaching age 60 after 31 March 2016.

The amount relating to pensions shown in the Net Cost of Services can be reconciled to the actual payments made as follows:

2006/07		2007/08
£000s		£000s
	Net Cost of Services	
1,061	Current Service Cost	1,151
4	Past Service Costs	0
2	Settlements/Curtailments	0
	Net Operating Expenditure	
1,554	Interest Costs	1,731
(1,373)	Expected Return on Assets	(1,550)
	Amount to be met from Government Grants & Local Taxation	
(389)	Movement on Pensions Reserves	(399)
	Actual amount charged against Council Tax for Pensions in the year	
859	Employer's Contributions Payable	933

The latest actuarial valuation was completed as at 31 March 2007 and updated to 31 March 2008 by a qualified independent actuary, Barnett Waddingham. Liabilities have been valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted on their current value.

The major assumptions used by the actuary were (in nominal terms):

- *rate of increase in inflation: 3.7% per annum (3.3% 2006/07)*
- *rate of increase in salaries: 5.2% per annum (5.1% 2006/07)*
- *rate of increase in pensions in payment and deferred pensions: 3.7% per annum (3.3% 2006/07)*
- *discount rate: 6.6% (5.4% 2006/07)*
- *proportion of employees opting to take a commuted lump sum: 50%*

The fair value of each main class of asset held by the Fund as at 31 March 2008, relating to North Dorset District Council, and the expected rates of return for the ensuing year are set out in the following table:

2006/07			2007/08	
Fair Value	Expected Return		Fair Value	Expected Return
£000s	%		£000s	%
14,493	7.2	Equities	12,558	7.3
3,749	4.4	Gilts	4,423	4.5
1,529	5.4	Bonds	1,753	6.6
1,088	5.0	Property	2,164	6.8
2,708	6.7	Cash	2,417	5.0
23,567	6.5	Total market value of assets	23,315	6.4
		Present value of Scheme liabilities		
(32,424)		Net pension asset/(liability)	(29,836)	
(8,857)			(6,521)	

The assets of the pension fund, relating to the Council, currently represent 78.1% of liabilities (72.7% 2006/07).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The deficit on the pension fund is disclosed on the Balance Sheet under long term liabilities; the total of £29.836 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £6.521 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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

2003/04		2004/05		2005/06		2006/07		2007/08	
£000s	%	£000s	%	£000s	%	£000s	%	£000s	%
1,873	12.6	1,145	6.0	3,238	14.8	(16)	(0.1)	(2,552)	(10.9)
0	0.0	(759)	(2.8)	0	0.0	(232)	(1.0)	814	3.0
(53)	(0.3)	(283)	1.0	(2,873)	(9.2)	1,192	3.7	4,421	14.8
1,820		103		365		944		2,683	

Differences between the expected and actual return on assets
Differences between actuarial assumptions about liabilities and actual experience
Changes in the demographic and financial assumptions used to estimate liabilities

The Annual Report of the Dorset County Council Pension Fund is available from Dorset County Council, County Hall, Dorchester.

29. DEBTORS

2006/07 £000s		2007/08 £000s
	Amounts falling due in one year: -	
340	Government Departments	375
814	Sundry Debtors	480
63	Loans	67
32	Payments in Advance	32
1,343	Collection Fund	1,353
	Less Provision for Doubtful Debts: -	
(526)	Council Tax	(516)
(147)	Non-Domestic Rates	(78)
(172)	Sundry Debtors	(218)
1,747		1,495

30. CREDITORS

2006/07 £000s		2007/08 £000s
131	Government Departments	259
1,350	Sundry Creditors	1,360
2,231	Amounts received in advance	1,643
1,889	Collection Fund	1,837
485	Other Local Authorities	130
<u>6,086</u>		<u>5,229</u>

31. FINANCIAL INSTRUMENTS

The following financial instruments are included in the balance sheet:

2006/07 £000s		2007/08 £000s
	Loans and Receivables:	
9	Mortgage Advances	7
1,747	Receivables	1,495
18,520	Short/Long Term Investments	17,327
0	Bank Deposits	0
<u>20,276</u>		<u>18,829</u>
0	Available-for-sale financial Assets	0
0	Unquoted equity Investments at Cost	0
0	Financial Assets at Fair Value through Profit or Loss	0
	Financial Liabilities at Amortised Cost:	
6,086	Payables	5,229
286	Bank Overdraft	141
<u>6,372</u>		<u>5,370</u>
0	Financial Liabilities at Fair Value through Profit or Loss	0

These activities expose the Council to a number of risks:

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

The Council's risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Under policies approved by the Council in the annual investment strategy written policies to manage these risks are approved.

Credit Risk:

Credit risks arise from banks and financial institutions, as well as credit exposures to the Council's customers. This is managed through the Treasury Policy Statement which limits investments to the following institutions:

- *Up to 20% of the portfolio may be invested in "forward positions", which will provide the Council with the ability to take advantage of any favourable short term volatility in interest rates before the maturity of investments*
- *Cash instruments*
- *Any bank based in the USA, Canada, the European Union or Switzerland, with a UK branch, listed in Fitch IBCA Ratings with a rating of at least F1*
- *Subsidiary banks of approved banks*
- *Any Building Society with total assets of at least £2 billion*
- *Any Local Authority*
- *Money Market Funds*

The maximum amount that may be invested with any one institution is £3 million. The Council has no historical experience of defaulting on loans made to financial institutions and the maximum exposure is therefore judged to be negligible. The funds invested with the classes of institution at the 31 March were as follows:

2006/07			2007/08		
Amount (£)	No. of Loans	Institution	Amount (£)	No. of Loans	
8,000,000	5	Banks	7,278,000	4	
10,520,000	6	Building Societies	10,049,000	4	
0	0	Other Local Authorities	0	0	
18,520,000	11	Total	17,327,000	8	

The Council does not generally allow credit for customers, such that £47,548.61 of the balance is past the due date for payment. The past due amount can be analysed as follows:

	2007/08 £000's
30 to 60 Days	2,600
60 to 90 Days	10,476
More than 90 Days	<u>34,473</u>
Total	<u>47,549</u>

Liquidity Risk: The Council ensures that cash resources are adequate, though not excessive, and that borrowing arrangements and overdraft or standby facilities are available at all times to enable the Council to achieve its business objectives.

Market Risk: The Council monitors the treasury management policies and objectives to ensure that it is not compromised by adverse market fluctuations in the value of the principal sums invested, and will seek to protect the Council from the effects of such fluctuations. The key risks are described below:

- **Interest Rate Risk:** The maximum proportion of interest on outstanding debt which may be subject to variable rates of interest shall be as determined annually by the Council under the requirements of Section 45 of the Local Government and Housing Act 1989. Interest rates will be reviewed by the Principal Accountant as part of the ongoing monitoring arrangements to ensure that as far as is possible investments are made so as to maximise the return to the Council having regard to the limits imposed by the Treasury Policy Statement. Borrowings, particularly the spread of loan maturity dates, will be kept under active review by the Principal Accountant to ensure that the Council's exposure to interest rate variations is minimised.
- **Price Risk:** The Council does not invest in equity shares and has no exposure to losses arising from fluctuations in share prices.
- **Foreign Exchange Risk:** The Council has no assets or liabilities denominated in foreign currencies and thus has no exposures arising from movements in exchange rates.

Interest Rate Risk: The maximum and minimum proportion of interest on outstanding debt which may be subject to fixed or variable rates of interest is determined annually by the Council under the requirements of the Local Government Act 2003.

Interest rates are reviewed as part of the monitoring arrangements to ensure that as far as is possible investments are made so as to maximise the return to the Council having regard to the limits imposed by the Treasury Policy Statement.

Borrowings, particularly the spread of loan maturity dates, are kept under active review to ensure that the Council's exposure to interest rate variations is minimised.

Inflation Risk: Fluctuations in interest rates are managed with a view to containing interest costs, or securing interest revenues, in accordance with the amounts provided in the budgetary arrangements.

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on treasury management activities, are controlled as part of the Council's overall strategy for managing its exposure to inflation.

This is achieved by the prudent use of approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level and structure of interest rates or inflation. The above is subject at all times to the consideration and approval, if required, of any policy or budgetary implications.

Credit and Counterparty Risk: The prime objective of treasury management activities is to be the security of the principal sums invested. Accordingly, counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and investment activities will be limited to the instruments, methods and techniques as set out in the Treasury Management Policy Statement.

The counterparty policy, with respect to those institutions from whom the Council may borrow or with whom funds may be invested is set out in the Treasury Management Policy Statement.

Refinancing Risk: The Council is not currently exposed to any refinancing risk. However, any borrowing, private financing and partnership arrangements subsequently entered into will be negotiated, structured and documented, and the maturity profile of the monies so raised will be managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

Legal and Regulatory Risk: The Council's Monitoring Officer ensures that all of the Council's treasury management activities comply with its statutory powers and regulatory requirements. The Council demonstrates such compliance, if required to do so, to all parties with whom it deals in such activities. The Chief Executive ensures that Counterparties possess the necessary powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and any fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as reasonably possible, seeks to minimise the risk of these impacting adversely on the Council.

Fraud Error Corruption and Contingency Arrangements: The Council identifies the circumstances which may expose it to the risk of loss through fraud, error corruption or other eventualities in its treasury management dealings and maintains suitable systems, procedures and contingency arrangements to this end.

32. RECONCILIATION OF REVENUE CASH FLOW

2006/07		2007/08
£000s		£000s
136	Surplus/(Deficit) for year	(2,628)
407	Net Contribution to/(from) Reserves/Provisions	(432)
(1,040)	Decrease/(increase) in debtors	(162)
(1,759)	Increase/(decrease) in creditors	377
1	Decrease/(increase) in stocks	17
1,065	Less Net Investment income	(1,208)
0	Depreciation and Impairment	1,549
0	Government Grants Amortised in year	(239)
0	Pension Fund Adjustment	399
0	Deferred Charges	380
0	(Gain)/Loss on the Disposal of Fixed Assets	118
0	Add Capital Expenditure met from Revenue	0
(1,190)	Net Cash (Inflow)/Outflow from Revenue Activities	(1,829)

33. MOVEMENT IN LIQUID RESOURCES

2006/07		31.3.07	31.3.08	2007/08
Movement		£000s	£000s	Movement
£000s				£000s
550	Short Term Investments	18,520	12,010	(6,510)
550	Increase/(Decrease) in Liquid Resources	18,520	12,010	(6,510)

34. MOVEMENT IN CASH

2006/07 Movement £000s		31.3.07 £000s	31.3.08 £000s	2007/08 Movement £000s
333	Cash In Hand/(Overdrawn)	(227)	15	242
<u>333</u>	Increase/(Decrease) in Cash	<u>(227)</u>	<u>15</u>	<u>242</u>

35. MOVEMENT IN NET FUNDS

2006/07 Movement £000s		2007/08 Movement £000s
333	Increase/(Decrease) in Cash	242
550	Increase/(Decrease) in Net Liquid Resources	(6,510)
<u>883</u>	Movement in Net Funds	<u>(6,268)</u>
17,410	Net Funds at beginning of period	18,293
<u>18,293</u>	Net Funds at end of period	<u>12,025</u>

36. ANALYSIS OF GOVERNMENT GRANTS

2006/07 £000s		2007/08 £000s
	Revenue	
12,837	Housing Benefits	14,089
681	Revenue Support Grant	608
307	Other Revenue Grants	440
<u>13,825</u>		<u>15,137</u>
	Capital	
130	Disabled Facilities Grants	130
219	Other	639
<u>349</u>		<u>769</u>

37. CONTINGENT LIABILITIES

Third parties have interests in some of the Council's assets, such that if the asset were sold then the Council would only receive a proportion of the sale proceeds (see Note 20).

38. ISSUE OF STATEMENT OF ACCOUNTS AND POST BALANCE SHEET EVENTS

The Statement of Accounts was issued by the Financial Services Manager, Mr V. Smith CPFA, on 27 June 2008, following approval by the Accounts and Audit Committee on 26 June 2008. There have been no post balance sheet events up to this date not disclosed in the financial statements.

The Statement of Accounts was given an unqualified audit opinion on 25 September 2008 and authorised for publication by Financial Services Manager, Mr V. Smith CPFA on 29 September 2008.

**The
Collection Fund**

Collection Fund

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The account shows the transactions into the Fund for Council Tax and National Non-Domestic rates and how the amounts collected have been distributed to preceptors and the General Fund. Further analysis is contained in the notes to the account.

2006/07		2007/08	Note
£000s	EXPENDITURE	£000s	
26,112	Dorset County Council Precept	27,693	
108	Previous Year's Surplus to Dorset County Council	428	
3,894	Dorset Police Authority Precept	4,132	
16	Previous Year's Surplus to Dorset Police Authority	64	
1,323	Dorset Fire Authority Precept	1,404	
5	Previous Year's Surplus to Dorset Fire Authority	22	
3,627	North Dorset District Council Precept	4,023	
17	Previous Year's Surplus to North Dorset District Council	59	
48	Write-Offs	46	
116	Provision for Uncollectable Amounts	38	1
11,222	Payment to National Non-Domestic Rates Pool	11,384	2
88	Cost of Collection of Business Rates	88	
46,576		49,381	
	INCOME		
32,186	Council Tax Income	34,324	3
3,036	Council Tax Benefits	3,187	
11,310	Income Collectable from Business Ratepayers	11,472	2
16	Reduced Provision for Uncollectable Amounts	0	1
46,548		48,983	
28	(Surplus)/Deficit for the year	398	
(572)	Balance on Fund brought forward	(544)	
28	(Surplus)/Deficit for the year	398	
(544)	Balance on Fund carried forward	(146)	5

Notes to the Collection Fund

1. PROVISION FOR UNCOLLECTABLE AMOUNTS

The provision for uncollectable amounts is based on a realistic assessment of likely non-collection using the guidelines issued by the Audit Commission. An assessment is necessary in order to provide a basis for budgeting for losses when setting the council tax.

2. COLLECTION OF NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and an allowance for collection, is paid into the central Non-Domestic Rates Pool managed by central government.

The non-domestic rateable value as at 31 March 2008 was £31,777,875 (£31,546,855 2006/07). The uniform business rate multiplier for 2007/08 was 44.4p (2006/07 43.3p).

3. CALCULATION OF TAX BASE

Council Tax income derives from charges raised according to the value of residential properties which have been classified into one of eight valuation bands (Band A, the lowest band may also be reduced where the occupant is disabled and is represented in the table below by a notional band AA). The valuations are based on values as at the valuation date of 1 April 1991.

The total number of properties in the District is calculated by counting the number of chargeable dwellings in each band, deducting any allowances for discounts and multiplying the result by the proportion of the band in relation to band D to give the Total Relevant Amount. This is then adjusted for the anticipated collection rate and the number of Ministry of Defence properties to produce the tax base on which the Council Tax for the area is calculated.

The Council estimated the Tax Base for 2007/08 to be 26,415, which was used subsequently in calculating the levels of council tax. This figure is derived from the total number of chargeable dwellings in the District, adjusted for dwellings where discounts apply and converted to an equivalent number of band D dwellings. The table below shows this calculation for each valuation band:

Band	Chargeable Dwellings	Discounts		Proportion to Band D		Relevant Amount
AA	7.00	-	1.24	x	5/9	= 3.20
A	2,431.00	-	514.65	x	6/9	= 1,277.57
B	5,681.00	-	939.16	x	7/9	= 3,688.10
C	7,575.00	-	934.89	x	8/9	= 5,902.32
D	5,447.00	-	545.80	x	9/9	= 4,901.20
E	4,128.00	-	316.91	x	11/9	= 4,658.00
F	2,401.00	-	158.82	x	13/9	= 3,238.71
G	1,380.00	-	93.18	x	15/9	= 2,144.70
H	125.00	-	23.15	x	18/9	= 203.70
Total Relevant Amount						<u>26,017.50</u>

To this is added the 397.5 Ministry of Defence properties in the District to arrive at a Tax Base of 26,415 (2006/07 – 26,126.6).

4. BAND D CHARGE

After consideration of the financial requirements for the year, the Council set its Council Tax for a Band D property at £94.20 to cover District Council net expenditure of £6,729,064 (excluding parish precepts).

5. DISTRIBUTION OF COUNCIL TAX SURPLUS

The surplus on the Collection Fund is to be distributed back to Dorset County Council, Dorset Police Authority, Dorset Fire Authority and North Dorset District Council as follows:

2006/07		2007/08	
Distribution		Distribution	
£000s		£000s	
404	Dorset County Council	108	
61	Dorset Police Authority	16	
21	Dorset Fire Authority	6	
58	North Dorset District Council	16	
544	Total Collection Fund Surplus	146	

North Dorset District Council's element of the Collection Fund surplus is shown at the foot of the Balance Sheet as part of the reserves. The surplus for the other bodies is included within the creditors shown on the Balance Sheet.

Annual Governance Statement

Annual Governance Statement

Scope of Responsibility

This Statement constitutes compliance with the Statement of Recommended Practice for 2007. 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 responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

North Dorset District Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at www.north-dorset.gov.uk or can be obtained from North Dorset District Council, Nordon, Salisbury Road, Blandford Forum, Dorset DT11 7LL. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at North Dorset District Council for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

Identifying Communicating and Reviewing the Council's Vision

Our shared vision for North Dorset is:

'where thriving and balanced communities in our market towns and surrounding villages build economic prosperity while safeguarding our unique and diverse environment'.

This translates into our ABC Priorities:

Access and Affordable Housing – Improving access to services and providing affordable, sustainable and appropriate housing.

Building Corporate Capacity – Making best use of the resources available to us.

Community – Building strong and inclusive communities.

The vision for North Dorset is built around our belief that the people living in and around our market towns have a crucial role in promoting and supporting rural regeneration and sustainable communities. This vision received overwhelming support in consultation undertaken through the North Dorset Citizens Panel in Autumn 2005. The vision is communicated through the Council's Corporate Plan for Improvement 2006-2009.

Views from users and citizens through the Mori Poll, Citizens' Panel and other consultations with service users and hard to reach groups are used to update the vision and inform priorities.

Service Quality and Use of Resources

The Council reports publicly on performance through the Best Value Performance Plan and the Statement of Accounts. Performance is monitored by the Cabinet on a quarterly basis. Areas where performance indicators are declining are examined in detail as well as the reasons for slippage in council initiatives and projects.

Through its business planning, financial planning and performance management processes the Council ensures that resources are used economically, efficiently and effectively. Annual budgets are set following consultation with stakeholders and an assessment of the risks of particular decisions. Budgets are managed by delegated budget holders in accordance with the Financial Procedure Rules.

Regular budget monitoring throughout the financial year is undertaken to examine the financial performance of each service area and any expected variations are reported to the Cabinet, together with any corrective action which needs to be taken.

General Managers have a responsibility to report any budget variation of more than £10,000 to the relevant Portfolio Holder. The risks to the longer term stability of the Council's financial performance are evaluated in the Council's Medium Term Financial Strategy and measures to minimise the impact of these risks are identified for consideration by the Council.

The performance of individual service areas is monitored by the relevant Portfolio Holder. Each service area produces a range of performance indicators, which are set out in the Best Value Performance Plan and monitored by the Service Review Committee.

Roles and Responsibilities

The Council's Constitution sets out the rules for the conduct of the Council's business, 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, the Cabinet makes decisions within this framework and is held to account by the Overview and Scrutiny Committee.

Conduct and Standards

The Council's Standards Committee has been established to promote and ensure that high standards of behaviour apply in all areas of Council activity and to investigate allegations of misconduct made against Members and employees. The Standards Committee can determine that a Member can be censured, suspended or partially suspended for a limited period. From 2008/09 the Committee will also consider complaints concerning parish and town councillors.

The Council has an anti-fraud and corruption strategy which sets out in detail its general approach to reducing the risk of fraud and corruption, liaison arrangements with external bodies, reporting arrangements and its policy on the recovery of losses.

Standing Orders and Risk

The Council has detailed written arrangements regarding the management and control of all material resources, which are set out in its Financial Procedure Rules and with which all employees are required to comply. Rules governing the procurement of goods and services are set out in the Contract and Procurement Procedure Rules in the Council's Constitution. The Council's committees and Officers work to a scheme of delegation, which is set out in the Constitution.

The Council organises itself and its operations in such a way as to minimise the risk of losses arising through fraud, error, malpractice, waste or other cause. This is achieved through having appropriate arrangements in place to manage its activities. These arrangements are set out in detail in the Financial Procedure Rules.

It is the responsibility of each General Manager to:

- *establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets;*
- *maintain the internal control system and to ensure that the Council's resources are properly applied in the manner and on the activities intended, including the prevention and detection of fraud and other illegal acts;*
- *ensure that a proper scheme of delegation has been established within their area and is operating effectively;*
- *manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks; and*
- *ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.*

New activities are considered on a variety of levels to identify the risks attached to their implementation. All new activities are the subject of comprehensive reporting by service managers, which sets out the proposed action, the anticipated benefits and any elements of risk pertinent to the decision being considered.

Risks are reviewed through the Council's Risk Management Group, a working group consisting of senior managers and Members.

The Group's terms of reference are to:

- *identify and develop a register of strategic risks to the authority;*
- *monitor the operation of risk management within the Council;*
- *identify best practice in asset protection and safety awareness training;*
- *influence the cultural attitude of management towards stewardship of resources and assets owned by North Dorset District Council;*
- *ensure that service continuity plans for the organisation's own suppliers are in place and subject to regular review;*
- *ensure that procedures are in place for the operation of risk management processes;*
- *develop a risk management training plan.*

Audit

The Accounts and Audit Committee is responsible for approving the annual audit plan, reviewing all internal audit reports and reports from external auditors and inspectors, reviewing and approving the Annual Governance Statement and the Statement of Accounts, reviewing progress on implementing audit recommendations, monitoring the performance of internal audit, reviewing the corporate governance framework and ensuring appropriate procedures are in place to mitigate risk. It also recommends to the Standards Committee any changes to the corporate governance framework that fall within the remit of that Committee.

All internal audit reports are submitted to the Accounts and Audit Committee and service managers attend the meetings as required to explain the measures they are taking to address the issues raised in the internal audit reports.

The Council takes seriously reports made by its external auditors and other inspectorates and implements agreed actions in response to recommendations made.

The Council maintains a continuous internal audit under the direction and management of the Financial Services Manager to appraise and review :

- (a) the completeness, reliability and integrity of information, both financial and operational;
- (b) the systems established to ensure compliance with policies, plans, procedures, laws and regulations;
- (c) the means of safeguarding assets;
- (d) the economy, efficiency and effectiveness with which resources are employed; and
- (e) whether operations are being carried out as planned and objectives and goals are being met.

The internal auditors review, appraise and report to management:

- (a) the extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - (i) fraud and other offences; and
 - (ii) waste, extravagance and inefficient administration, poor value for money or other cause.
- (b) the suitability and reliability of financial and other management data developed within the Council.

An analysis of risk is carried out by internal audit to inform the strategic and operational audit plans, which are formally approved by the Accounts and Audit Committee on an annual basis.

Compliance

The reporting system ensures that all reports are examined by the Monitoring Officer, to assess the legality of the action being proposed, and the Financial Services Manager, to ensure that the financial implications of the proposed action have been assessed and that sufficient financial resources are available for implementation. The reports are also considered by the relevant Portfolio Holder before they are considered by the Cabinet or Council.

Whistle-blowing

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees and others with serious concerns about any aspect of the Council's work to come forward and voice those concerns. This Disclosure Policy is intended to encourage and enable employees to raise serious concerns within the Council rather than overlooking a problem or blowing the whistle outside.

North Dorset District Council introduced this procedure following the Public Interest Disclosure Act 1998, to enable employees to raise concerns about such malpractice at an early stage and in the right way.

The policy aims to:

- provide avenues for employees to raise concerns and receive feedback on any action taken;
- allow employees to take the matter further if they are dissatisfied with the Council's response; and
- reassure employees that they will be protected from reprisals or victimisation for whistle-blowing in good faith.

Development Needs of Members and Officers

All officers are subject to an annual performance review, which identifies their development needs. These reviews form the basis of personal training plans or form the basis of corporate training programmes. Although the Council has assessed the development needs of Members in the past there is no formal mechanism for undertaking such an assessment on a continuing basis.

Channels of Communication

The Council relies on a number of communication channels to publish plans, aims and objectives. These range from the in-house publication "Open Line" to press releases and information published on the Council's website.

All reports are published on the Council's website and are written to ensure that as far as possible access to the information is not restricted by containing confidential information. In some cases this cannot be avoided and an agenda for a meeting may have to include a confidential report but this is kept to a minimum.

Governance of Partnerships

A review of the Council's relationship with other bodies is carried out each year as part of the final accounts preparation. There are no partnerships which would give rise to a group relationship. Where the Council is involved in partnership activity then governance reviews will be carried out by the lead body and reported to the governing board.

Financial Regulations contain specific rules regarding the setting up or participation in partnerships. Financial Regulation 6.6 requires the Monitoring Officer to ensure that risks have been fully appraised before any new partnership agreements are entered into and Financial Procedure Rule 32.5 requires General Managers to prepare a risk management appraisal of partnerships for the Responsible Financial Officer.

Review of Effectiveness

North Dorset District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the annual report on the effectiveness of internal audit and also by comments made by the external auditors and other review agencies and inspectorates.

A detailed review was undertaken against the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. This review concluded that the Council's arrangements complied in all material respects with the standards set out in the framework but that there were a number of governance weaknesses that needed to be addressed.

The Council's Responsible Financial Officer and Monitoring Officer confirm that there were no significant internal control issues that have required 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.

During the year the Council reviewed and updated its risk register of the major business risks facing the organisation. Eight of the risks judged to be above the Council's risk tolerance limit were identified and progress on mitigating these risks is being monitored by the Risk Management Group. The Accounts and Audit Committee reviewed and submitted a Statement of Risk Control to the Council for inclusion in the Constitution on 23 January 2008.

There were no formal complaints concerning District Council members referred to the Standards Board in 2007/08. No complaints against District Council members were received for consideration by the Monitoring Officer in 2007/08 and no other issues relating to Members' actions were reported to the Standards Committee.

During the course of the year internal audit completed 21 of the 23 originally planned audits for 2007/08. Of the audits completed the auditor was able to provide complete assurance on one system (where there were no recommendations) with the remaining systems showing that a satisfactory control environment was in place. There were no systems where assurance could not be provided.

There was one instance of attempted fraud during the year, which was dealt with through existing controls. The money involved was recovered and the individual concerned was apprehended by the police.

The Council's external auditor assessed the Council's financial and corporate governance arrangements as part of the Use of Resources assessment for 2006/07. The Council achieved an overall score of 2, equivalent to satisfactory.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by :

- the work of managers within the Council;
- the work of internal auditors as described above;
- a review of risk management arrangements; and
- the Direction of Travel Assessment undertaken by the Audit Commission.

A plan to address weaknesses and ensure continuous improvement of the system is in place.

Issues Arising from the 2006/07 Statement

The Statement on Internal Control for 2006/07 identified the following risks to the control environment:

- (a) business transformation programme: as new systems are introduced new control mechanisms will need to be developed. The programme is also key to achieving some of the savings required by the Medium Term Financial Strategy and if these are not realised then other economies will need to be found.

Progress in implementing new processes was sufficient to conclude that budget savings would be achievable in 2008/09. This issue remains a risk and monitoring will continue during 2008/09.

- (b) local delivery programme: a key element of the Medium Term Financial Strategy relates to the transfer of discretionary services to other bodies. If the programme is not achieved then these services will cease to be provided.

Phase II of the Local Delivery Programme was very successful and produced significant savings for the 2008/09 budget. Whilst the next phase of the programme is expected to deliver further savings the risk has diminished. The risk is now more closely related to one of reputation rather than finance or governance, however, progress on the next phase of the programme will continue to be closely monitored.

- (c) contract management: as the Council relies more heavily on ICT to support its core services increasing reliance will be placed on the contracts which safeguard the Council's interests, risking an increase in costs and a weakening of internal control. Increasing reliance will also be placed on partnership arrangements to deliver services more efficiently and economically and these will need to be properly managed through suitable partnership agreements to minimise the risk of impaired service delivery.

The Contract and Procurement Procedure Rules were reviewed and revised during the year to tighten controls. A number of Service Level Agreements were also devised to manage the arrangements for services transferred to other bodies. The Council is seeking to obtain additional procurement skills by working with East Dorset District Council and Christchurch Borough Council. These developments have reduced this risk but it will continue to be monitored as a major ICT procurement is due in 2008.

- (d) recruitment and retention: the Council experiences difficulties in recruiting and retaining some skill sets and the recent job evaluation exercise has exacerbated this problem in some areas. The potential for the current complement of employees to be moved from Blandford Camp could have knock on effects for the Council as described in section (k) of the issues from 2005/06. The loss of experienced staff risks damaging the internal control environment.

Whilst the loss of experienced employees continues to be an issue in some areas this risk has diminished following a decision to retain a significant military presence at Blandford. The job evaluation process has bedded down and a Workforce Development Strategy is being developed and implemented.

- (e) The Medium Term Financial Strategy shows that significant savings, which have yet to be identified, will be required if the Council is to meet its longer term objectives.

The Medium Term Financial Strategy was reviewed during the course of the year and the measures contained within it delivered sufficient savings to balance the budget for 2008/09. It will be reviewed again in 2008 to ensure that further planned savings are achievable.

- (f) There will also be a switch of resources that are currently provided directly to the Council from central government to Local Area Agreements. These agreements will be administered by the County Council and funding may be based on a county-wide analysis of need. There is therefore a risk that some funding streams could reduce through this approach.

This risk has not yet materialised but the situation will be kept under review.

- (g) Whilst still considered fit for purpose, the Council's Financial Regulations will be reviewed in 2007/08 to further strengthen the internal control environment.

The Financial Regulations and Contract and Procurement Regulations were reviewed and strengthened in 2007/08. In addition, the Council's Anti-Fraud and Corruption Strategy and Whistle-blowing Policy have been reviewed and revised policies recommended for adoption by Council on 23 June 2008.

Governance Issues 2007/08

The main weaknesses arising from the review of the corporate governance framework were:

- (a) there is no written protocol describing the respective roles of the Leader and Chief Executive;
- (b) the Constitution lacks clarity on the means of approving the remuneration or the establishment of officers;
- (c) there is no formal code of conduct for employees included within the Constitution;
- (d) there is no formal process for identifying the development needs of Members.

The most recent review of the corporate risk register was undertaken by the Risk Management Group on 27 March 2008. The main business risks related to:

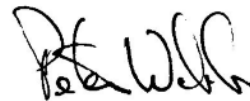
- (e) the business transformation programme;
- (f) contract management; and
- (g) recruitment and retention.

as described above. Plans to mitigate these risks are in place and are being regularly monitored. Whilst it remains above the Council's risk tolerance line the Local Delivery Programme, which involves the transfer of discretionary services to other bodies, is no longer considered to be a significant financial or governance risk.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



E. GOODALL
CHIEF EXECUTIVE



P. WEBB
LEADER OF THE COUNCIL

21 May 2008

On behalf of North Dorset District Council.

Independent Auditor's Report

Independent Auditor's Report to North Dorset District Council

Opinion on the Financial Statements

I have audited the Authority accounting statements and related notes of North Dorset District Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 Financial Services Manager and auditor

The Financial Services Manager's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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 Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

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

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting 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, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Martin Robinson
Officer of the Audit Commission
2nd Floor, 50 South Street
Dorchester
Dorset
DT1 1DQ

25 September 2008

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

Authority's responsibilities

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

Auditor's responsibilities

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, North Dorset District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

I have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 in December 2007. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Martin Robinson
Officer of the Audit Commission
2nd Floor, 50 South Street
Dorchester
Dorset
DT1 1DQ

25 September 2008

Glossary Of Terms

Glossary of Terms

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Assets

Items that are of worth and are measurable in terms of money.

Actuarial Gains & Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- b) the actuarial assumptions have changed.

Billing Authority

This is an authority which has the task of collecting the Council Tax from within its geographical area.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Receipts

Income from the sale of assets which can be used to finance additional capital expenditure or pay off debt.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one accounting period to the next is the same.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is no logical basis for apportioning these costs to services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- a) termination of employees' services earlier than expected and
- b) termination, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets.

Defined Benefit Scheme

A pension or other retirement benefit scheme where the rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed in the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset, whether arising from use, the passage of time or obsolescence through technological or other changes.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Council's discretionary powers as set out in the Local Government (Discretionary Payments) Regulations 1996.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Events After the Balance Sheet Date

Events after the balance sheet date are those events, favourable or unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

Exceptional Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur.

Extraordinary Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Fixed Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Impairment of Assets

Where there is reason to believe that the value of a fixed asset has decreased materially in the period, the valuation is adjusted accordingly; this adjustment is known as impairment.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Assets

Non-financial fixed assets that do not have physical substance and are controlled by the entity through custody or legal rights. An example of an intangible asset is computer software.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Leasing

A method of financing tangible assets where a rental is paid over a period of time. A Finance Lease involves the payment of the full cost of the asset and at the end of the leasing period 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 period the asset is returned to the lessor.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of an asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the Council. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the Council.

Outturn

The final actual income and expenditure earned or incurred in the financial year.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Precepts

The method by which a non-billing authority obtains the income it requires to fund its expenditure by making a levy on the relevant billing authorities in its area.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The scheme liabilities at the valuation date relate to:

- a) the benefits for pensioners and deferred pensioners (individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependents, allowing, where appropriate, for future increases; and
- b) the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- (i) one party has direct or indirect control of the other party; or
- (ii) the parties are subject to common control from the same source; or
- (iii) one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- (iv) the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

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:

- a) an employer's decision to terminate an employee's employment before the normal retirement date; or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer or the defined benefit scheme of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
- b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits
- c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Vested Rights

For active members of a defined benefit scheme, benefits to which they would unconditionally be entitled on leaving the scheme, for deferred pensioners their preserved benefits and for pensioners, pensions to which they are entitled. Vested rights include related benefits to spouses and other dependents.