

Statement of Accounts

2008/09

Council of the Isles of Scilly

... a strong, sustainable and dynamic island
community



2008/09 Statement of Accounts
Council of the Isles of Scilly
Hugh Town
St Mary's, Isles of Scilly
TR21 0LW

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Introduction

The purpose of this foreword is to provide readers with an easy to understand guide to the most significant matters that have been reported in the accounts and to explain the Council's overall financial position.

The Council's accounts for 2008/09 are set out in the pages that follow. They consist of:

- Income and Expenditure Account (I&E) (page 16) – a summary of resources generated and utilised by the Council in the year.
- Statement of Movement on the General Fund Balance (page 17) – a reconciliation showing how the balance of resources generated/utilised in the year links with the statutory requirements for raising Council Tax.
- Statement of Total Recognised Gains and Losses (page 17) – demonstration of how the movement in the net worth in the Balance Sheet is linked to the Income & Expenditure Account surplus/deficit and to other unrealised gains and losses.
- Balance Sheet (page 18) – analyses the end of year financial position of the Council by outlining its assets, liabilities and net worth.
- Cash Flow Statement (page 19) – shows all the sources of cash for the year and also how cash was disbursed.
- Housing Revenue Account (HRA) Income and Expenditure Account (page 37) – shows in more detail the income and expenditure on HRA services.
- Statement of Movement on the HRA Balance (page 37) – shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the HRA account balance for the year.
- Collection Fund (page 38) – shows the transactions of the Council in relation to Non-Domestic Rates and Council Tax.

Further supporting information is provided in the **Statement of Accounting Policies**, which outlines those policies adopted when compiling the financial statements and the notes to the financial statements.

2008/09 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Income and Expenditure Account on page 16. The Account is classified in accordance with the CIPFA (Chartered Institute of Public Finance & Accountancy) Best Value Accounting Code of Practice (BVACoP) Standard Service Expenditure Classification. However, the Council manages its financial resources on a committee basis. An analysis of the net expenditure and variances for each Committee's budget, excluding Trading Services, is set out below:

Committee	2008/09		Under/ (Over spend) £000's
	Approved Budget £000's	Actual £000's	
Health, Overview & Scrutiny	2	2	0
General Purposes	1,267	1,207	60
Community Services	821	1,615	(794)
Transport Strategy Select	6	15	(9)
Policy & Resources	1,152	1,210	20
Children & Young People's Services	342	250	92
Licensing	24	3	21
Planning & Development	194	198	(4)
Sea Fisheries	9	5	4
Tourist Board	133	146	(13)
Standards	4	5	(1)
Net Expenditure as per Income & Expenditure Account	3,954	4,656	(702)

The Net Cost of Service variance from budget for the Council for 2008/09 is an overspend of £702,000. The most significant variance appears against Community Services, which shows an overspend of £794,000. However, an impairment in the value of the Council's housing stock of £1.042 million is shown against this budget, reflecting the economic downturn, particularly with regard to property valuations. This means that the Community Services budget, aside from housing valuations, is actually £248,000 underspent.

As can be seen clearly from the figures in the table above, most major areas of expenditure across the Authority are underspent. Work continues to improve budget monitoring and reforecasting processes alongside a greater focus on performance management.

The Council received Revenue Support Grant of £263,000 in 2008/09. The funding for education was separately allocated to the Council and totalled £2.697 million. Further details are included in Note 33, page 35, of the notes to the core financial statements. Revenue balances stand at £5.468 million at the year end, of which £3.914 million is set aside for specific purposes. This compares with £4.980 million at the end of 2007/08 of which £3.394 million was for specific purposes. Included in these totals are the balances of the General Fund, Housing Revenue Account, the Water and Sewerage Revenue Accounts and Earmarked Reserves. The sums shown against the Airport Reserve include the net effect of the Revenue Support Grant contribution made by Central Government towards loan charges for expenditure on the Airport Runway Scheme.

The Financial Needs and Resources of the Authority

The Council continues to deliver a large range of services to its community with very small resources. Whilst the outturn for 2008/09 shows some encouraging progress, the longer term projections show a tightening financial position. During 2008/09 the Council has started to work with the Government Office for the South West to consider ways of stabilising the Authority's financial position into the future.

FRS 17 – Pension Fund Requirements

Financial Reporting Standard (FRS17) requires disclosure in the accounts of transactions, assets and liabilities in respect of the Pension Fund operated on our behalf by Cornwall Council. The Council of the Isles of Scilly pension liability stands at £2.686 million which is significant. Due to poor investment returns during the year, this has shown a considerable deterioration – the liability has increased by £1.568 million. This may mean increased burdens on the Council’s revenue account over the forthcoming years.

The Housing Revenue Account

The Council was able to make an overall contribution to the HRA reserves this year of £23,000. The Council has made significant progress against the 2008/09 capital maintenance programme for its housing stock which has seen the replacement of windows and doors across a significant proportion of its stock. This has been complemented by the rolling programme of routine repairs and maintenance.

Borrowing Facilities and Capital Borrowing

At 31 March 2009 the Council had £713,000 outstanding in loans with the Public Works Loan Board (PWLb). The details of these loans can be found in Note 17 to the accounts. The interest payable during the year amounted to £42,000. As part of their annual review of financial commitments, Members decided to maintain the Council’s permitted overdraft level at £100,000.

Capital Expenditure

The Council spent £465,000 on capital projects during 2008/09 (£388,000 in 2007/08).

The capital programme was funded principally by Reserves (45%) and from Grants (42%). The two most significant areas of expenditure were the extension to the Town Hall and the replacement heating system for Park House and Parade flats. A summary of the schemes is outlined below and the impact on the Council’s asset base is reflected in the notes to the main statements –Note 10, page 23.

2007/08 £000's		2008/09 £000's
13	Airport – Non Directional Beacon	4
302	Children & Young People – Schools	140
18	Community Services – Heating at Parade Flats/Park House	84
29	Fire & Rescue service – Equipment, St Agnes hardstanding	13
54	General Purposes – Vehicles, street lighting, incinerator refurb.	35
119	Housing & Corporate Property – Energy efficiency	20
14	Policy and Resources – Town Hall extension, Porthcressa Garage	152
3	Water & Sewerage – Off Island toilet, infrastructure	17
552	Total	465

Conclusion

2008/09 has again been a challenging year for all. Chief Officers and Members have been continually assessing the services provided by the Council in light of the needs of the community, and reviewing the nature of the costs incurred. Opportunities for alternative funding streams continue to be sought wherever possible. This will remain the case for the future as the Council and its partner agencies strive to meet their ambitious objectives for the Islands’ communities.

The accounts have been produced on schedule in accordance with the statutory deadlines. I am grateful to the staff of the Finance and Resources Department and our external support, provided by Symbiont Services Ltd., for their dedicated work and commitment which has, again, resulted in a high quality publication. I would like to thank colleagues in other departments whose support in achieving such tight deadlines is essential and much appreciated.

Peter Lawrence, Director of Finance & Resources

Statement of Accounting Policies

1. General Principles

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

The overriding accounting conventions below have been followed:

Accruals – Financial Statements other than the Cash Flow Statement are prepared on an accruals basis.

Going Concern – the accounts are prepared on the assumption that The Council of the Isles of Scilly will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the Council's operation.

Legislative Requirements – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements take precedent.

2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have 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 the income and expenditure account for the income that might not be collected.
- The Council does not apply the accruals concept to quarterly utility bills which are recorded at the date of meter readings.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that is likely to require settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

For instance, the Council may be involved in an insurance dispute that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will not 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 required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then transferred or released back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

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

5. Government Grants & Contributions (Revenue)

The SORP requires Government Grants to be accounted for in accordance with the accruals concept i.e. where expenditure has been incurred in a period and it satisfies any grant conditions, income in respect of revenue grants should be credited to the appropriate revenue account irrespective of whether cash has been received. In respect of capital grants, the credit is to be taken to a Governments Grants - Deferred account. An appropriate share of the grant is to be released annually from this account to the relevant service revenue account to offset any provision for depreciation charged in respect of the assets to which the grants relate. Capital grants principally relate to the Children & Young People Service, Waste Disposal, Coastal Protection and the Airport.

Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Local Government Pension Scheme and FRS 17 – Retirement Benefits

We pay an employer's contribution into the Cornwall Council pension fund which provides staff that are members of the pension scheme with pensions and other benefits that are related to their pay and length of service. Our rate of contribution is determined by the pension fund's actuary following a revaluation of the fund every 3 years and an assessment of the likely demand on the fund and performance of the fund's investments. The cost of early retirements, redundancies and retirements due to ill-health are also considered.

The assets and liabilities of the pension scheme, attributable directly to the Council, are included in our balance sheet. The amount chargeable to General Fund services for the year is determined in accordance with statutory requirements, which restricts the amount a Council can seek to cover through raising Council Tax. Where the actual cost recorded in the Council's Income and Expenditure Account differs from this, a corresponding adjustment must be made to the Council's Pension Reserve.

Under the 2008 SORP the council has adopted the amendment to FRS 17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. On the grounds of materiality, the Council of the Isles of Scilly did not require the figures for previous accounting periods to be restated.

7. VAT

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

8. Overheads & Support Services

These costs, which include staff salaries, establishment costs and office expenses, are allocated to the appropriate services on the basis of the estimated time spent by each member of staff. Some costs are retained within Corporate and Democratic Core, costs relating to operating a democratic organisation, and Non-Distributed costs, which represent the cost of discretionary benefits awarded to employees retiring early. Administrative building costs are recovered on the basis of floor area occupied.

9. Intangible Assets

An intangible asset is where access to the future economic benefits that the asset represents is controlled either through custody or legal protection. Any intangible assets are held at cost by the Council and are depreciated on a straight-line basis over a period of between 3 and 5 years.

10. Tangible Fixed Assets

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. The Council operates a de-minimus level of £6,000 when capitalising expenditure.

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
 - Community assets – a nominal sum

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

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

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

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. When an asset is disposed of, any gain or loss above current valuation resulting from the disposal is presented in the Council's Income and Expenditure Account and Statement of Movement on the General Fund Balance.

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

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer – currently between 0 and 80 years
- Vehicles, plant and equipment – straight-line allocation over the life of each class of asset in the Balance Sheet, as advised by a suitably qualified officer – currently between 0 – 15 years
- Infrastructure – straight-line method of between 20 to 40 years

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

Where an asset has been enhanced the amount of the enhancement is depreciated on the mid point of the first year, irrespective of the date of the enhancement.

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.

11. Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

12. Revenue expenditure funded from capital under statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax.

These items are generally grants and expenditure on property not owned by the Authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure will be charged to the Income and Expenditure Account in accordance with the general provisions of the SORP.

This category of expenditure has been introduced in the 2008 SORP, and replaces the previously accepted practice to account for these as Deferred Charges.

13. Statutory provision for the repayment of debt

External borrowings are repaid on maturity. In accordance with the Local Government Act 2003 a Minimum Revenue Provision calculated at 4% of the Capital Finance Requirement is set aside annually in order to repay borrowing.

14. Stocks and Stores

The Council holds stocks at its Airport and in its Waste Disposal, Water and Tourism services. The Council holds stores of consumable items so that it can rapidly repair key equipment within the airport, incinerator plant and water installations. Stores have been valued at cost less an allowance for loss in value. The Tourism Office holds stocks of items for resale and these have been valued at the lower of cost or net realisable value.

15. Trading Services

The Council has a number of trading services: Airport, Building Control, Commercial Refuse Collection, Tourism (Brochures), Water and Sewerage. These services are all non-profit making accounts and expenses are met wholly by fees and charges to service users. The accounts summarise the activity of these services for the year and the net surplus or deficit is either transferred to the Income and Expenditure Account in accordance with the SORP or allocated against an earmarked reserve held.

16. Post Balance Sheet Events

In the occurrence of a material post balance event, this will be treated in accordance with FRS21 – Accounting for Post Balance Sheet Events.

17. Contingent Assets and Contingent Liabilities

Contingent Assets and Liabilities have been accounted for in accordance with FRS12 – Provisions, Contingent Liabilities and Assets.

Contingent assets and liabilities are not recognised in the primary accounting statements, but are disclosed by way of notes when there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent asset or liability, the following information will be disclosed; the nature of the contingency, a brief description, an estimate of its financial effect (where this is possible to estimate) an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

18. Internal Interest

Interest is credited to the Housing Revenue Account based upon the level of balances throughout the year. The amount is calculated using the average London Interbank Bid Rates for 2008/09.

19. Capital Receipts

Capital receipts are presented in the accounts in accordance with the SORP. Use of these receipts is determined under the Prudential Capital Code and the sums paid over to central government as laid out therein. Any other sums are recorded as Usable Capital Receipts and reflected in the balance sheet accordingly.

20. Exceptional items, extraordinary items and prior-year adjustments

Exceptional items are either included in the cost of the service to which they relate or separately disclosed on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. A description of each exceptional item is given within the notes to the accounts.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the Council and are explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and are accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period in the statement of accounts and notes and adjusting the opening balance of reserves for the cumulative effect. The cumulative effect of the adjustments is also noted at the foot of the Statement of Total Recognised Gains and Losses of the current period. The effect of prior period adjustments on the outturn for the preceding period is disclosed where practicable.

21. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

22. Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Statement of Responsibilities and Certification of the Statement of Accounts

The following statement describes the respective responsibilities of the Council of the Isles of Scilly and the Council's Director of Finance & Resources for the accounts.

The Director of Finance & Resources is responsible for:

The preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice') so as to present fairly the financial position at the accounting date, and its income and expenditure for the year.

In preparing this Statement of Accounts, the Director of Finance & Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Made reasonable and prudent judgments and estimates;
- Complied in all material aspects with the Code of Practice on Local Authority Accounting in the United Kingdom and applying accounting policies consistently.

The Authority is responsible for:

- Making arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance & Resources;
- Managing its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approving the Statement of Accounts.

Certification

by the Director of Finance & Resources

I certify that in my opinion the Statement of Accounts presents fairly the financial position of the Council of the Isles of Scilly at 31 March 2009, and its income and expenditure for the year then ended.

The Accounts were authorised for issue to the Council on the date below.

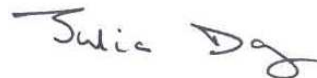


Director of Finance & Resources

Date: 29th September 2009

by the Chairman of the Council

I confirm that these accounts were approved by the Full Council.



Chairman of Council

Date: 29th September 2009

Further information

Further information about these accounts is available from the Finance & Resources Department, Council of the Isles of Scilly, Town Hall, St. Mary's, Isles of Scilly, TR21 0LW. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised at the appropriate time of year.

Income & Expenditure Account

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

2007/08 Net Expenditure £000's	2008/09		Net Expenditure £000's	Note
	Gross Expenditure £000's	Gross Income £000's		
10 Central Services	2,005	(1,843)	162	
943 Cultural, Environmental & Planning Services	4,550	(3,340)	1,210	
428 Children's & Education Services	3,967	(3,745)	222	
349 Fire & Rescue Services	385	(35)	350	
140 Highways, Roads & Transport Services	106	(55)	51	
102 Housing Services	2,072	(820)	1,252	
462 Social Services	768	(326)	442	
845 Corporate & Democratic Core	916	(50)	866	
4 Court Services	1	0	1	
69 Non Distributed Costs	100	0	100	
3,352 Net Cost of Services	14,870	(10,214)	4,656	
(236) (Surplus)/Deficit on trading services			(198)	2,3
98 Interest payable and similar charges			42	
(194) Interest and investment income			(145)	
(56) Pensions interest costs and expected return on pension assets			66	27
2,964 Net Operating Expenditure			4,421	
(1,160) Demand on the Collection Fund			(1,237)	
(266) General Government Grants			(501)	32
(1,587) Non-Domestic Rates			(1,888)	
(49) Net (Surplus)/Deficit for the year			795	

Statement of Movement on General Fund Balances

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

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

2007/08 £000's	2008/09 £000's	Note
(49) (Surplus)/Deficit for the year on the Income and Expenditure Account	795	
(112) Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund (Council Fund) balance for the year	(943)	1
(161) (Increase)/Decrease in General Fund (Council Fund) balance for the	(148)	
(1,245) General Fund (Council Fund) Balance brought forward	(1,406)	24
(1,406) General Fund (Council Fund) Balance carried forward	(1,554)	24

Statement of Total Recognised Gains and Losses

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

2007/08 £000's	2008/09 £000's	Note
(49) (Surplus)/deficit for the year on the Income and Expenditure Account	795	
(1,244) (Surplus)/Deficit arising on revaluation of Fixed Assets	808	
(241) Actuarial (gain)/Loss on pension fund assets and liabilities	1,596	27
(57) Collection Fund Surplus & other balances	37	
(1,591) Total Recognised (gains)/losses for the year	3,236	
22,311 Balance Sheet as at 1 April 2008	23,902	
23,902 Balance Sheet as at 31 March 2009	20,666	
(1,591) Movement during year	3,236	

Balance Sheet

31 March 2008		31 March 2009		
£000's		£000's	£000's	Note
Tangible Fixed Assets				
Operational Assets:				
13,066	Council Dwellings HRA	11,009		
1,924	Council Dwellings General Fund	1,877		
7,298	Other land and buildings	7,205		
381	Vehicles, plant, furniture and equipment	286		
4,829	Infrastructure assets	4,615		
Non-operational Assets:				
396	Investment properties	396		
20	Assets under construction	154		
27,914	Total Fixed Assets		25,542	10
0	Long-term investments		0	17
27,914	Total Long-term Assets		25,542	
Current Assets				
101	Stocks and work-in-progress	104		18
1,322	Debtors	1,011		19
10	Investments	0		17
3,051	Cash and bank	3,340		20
	Total Current Assets		4,455	
32,398	Total Assets		29,997	
Current Liabilities				
(158)	Short-term borrowing	(146)		17
(2,141)	Creditors	(2,518)		21
	Total Current Liabilities		(2,664)	
30,099	Total Assets less Current Liabilities		27,333	
Long-term liabilities				
(726)	Long-term borrowing	(580)		17
(2,365)	Government Grants Deferred	(2,336)		15
(1,988)	Deferred Capital Grants	(1,065)		16
(1,118)	Liability related to defined benefit pension scheme	(2,686)		27
	Total Long-term liabilities		(6,667)	
23,902	Total Assets less liabilities		20,666	
Financed by:				
1,244	Revaluation Reserve		265	24, 25
18,541	Capital Adjustment Account		17,345	24, 26
274	Usable Capital Receipts Reserve		274	24
(1,118)	Pensions Reserve		(2,686)	24
1,858	General Fund Balance		1,969	24
596	Housing Revenue Account Balance		619	24
2,507	Earmarked Reserves		2,880	24
23,902	Total Net Worth		20,666	

The opening balances of Other Land and Buildings and Vehicles, Plant, Furniture and Equipment have changed to reflect the re-classification of the Council's Incinerator as Other Land and Buildings.

Cash Flow Statement

2007/08 £000's		2008/09		Note
		£000's	£000's	
	Revenue Activities			
	Cash Outflows			
3,774	Cash paid to and on behalf of employees	4,064		
5,399	Other operating cash payments	4,718		
291	Housing Benefit paid out	304		
1,131	National non-domestic rate payments to national pool	1,192		
58	Precepts paid	285		
10,653			10,563	
	Cash Inflows			
(561)	Rents (after rebates)	(400)		
(1,274)	Council Tax Receipts	(1,332)		
(1,587)	National non-domestic rate receipts from national pool	(1,888)		
(963)	Non-domestic rate receipts	(1,086)		
(266)	Revenue Support Grant	(263)		
(308)	DSS grants for benefits	(214)		
(3,948)	Other Government Grants	(5,031)		31
(1,755)	Cash received for goods and services	(2,022)		
(10,662)			(12,236)	
(9)	Net Revenue Activities Cash Flow		(1,673)	28
	Returns on Investments and Servicing of Finance			
	Cash Outflows			
58	Interest paid	45		
	Cash Inflows			
(148)	Interest Received	(145)		
(90)	Net Returns on Investments and Servicing of Finance Cash Flow		(100)	
	Capital Activities			
	Cash Outflows			
388	Purchase of Fixed Assets	465		
0	Capital Payments	1,779		
	Cash Inflows			
(1,312)	Capital grants received	(956)		
(924)	Net Capital Activities cash flow		1,288	
(1,023)	Net cash (inflow)/outflow before financing		(485)	29
	Financing			
	Cash Outflows			
701	Repayments of amount borrowed		155	
701	Net Financing		155	
(322)	Net (increase)/decrease in cash		(330)	30

Notes to the Financial Statements

Note 1 Statement of Movement on the General Fund Balance

The Statement of Movement on the General Fund Balance (SMGFB) includes a consolidated sum as the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year. This note contains an analysis of this consolidated sum.

2007/08 £000's		2008/09 £000's	Note
(1,152)	Depreciation and impairment of fixed assets	(2,029)	26
290	Government Grants Deferred amortisation	224	15
(377)	Net charges made for retirement benefits in accordance with FRS 17	(473)	27
(1,239)	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund (Council Fund) balance for the year	(2,278)	
234	Minimum Revenue Provision for Capital Financing	231	14
156	Capital expenditure charged during the year to the General Fund Balance	207	14
465	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	501	27
855	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund (Council Fund) Balance for the year	939	
1	Housing Revenue Account balance (including Major Repairs Reserves & Housing Repairs Reserve)	23	24
271	Net transfer to or from earmarked reserves or other statutory funds	373	24
272	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund (Council Fund) Balance for the year	396	
(112)	Net additional amount required to be credited to the General Fund (Council Fund) Balance for the year	(943)	

Note 2 Trading Activities

The Council operates a number of activities which are deemed by the SORP to be trading activities. A summary of the financial position is outlined below.

The net surpluses for the Airport, Water and Sewerage trading services shown above are taken to the respective reserves (see Note 24 on page 29).

2007/08 Net (surplus)/ deficit		2008/09		Net (surplus) / deficit £000's	Note
		Gross Expenditure £000's	Gross Income £000's		
(171)	Airport	1,118	(1,268)	(150)	
14	Building Control	27	(12)	15	3
(35)	Water	386	(409)	(23)	
(106)	Sewerage	103	(186)	(83)	
(10)	Tourism (Brochures)	84	(98)	(14)	
72	Commercial Trade Refuse	169	(112)	57	
(236)	Total	1,887	(2,085)	(198)	

Note 3 Building Control Charging Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost of the chargeable activities of the building control unit identified as chargeable and non-chargeable activities.

2007/08 £000's		2008/09		Total £000's
		Chargeable £000's	Non- chargeable £000's	
	Expenditure			
8	Employee expenses	21	0	21
0	Transport	5	0	5
1	Premises & Supplies & Services	0	0	0
21	Central and support service charges	1	0	1
30	Total Expenditure	27	0	27
	Income			
(16)	Building Regulations Charges	(12)	0	(12)
(16)	Total Income	(12)	0	(12)
14	(Surplus)/Deficit for the year	15	0	15

Note 4 Expenditure on Publicity (section 5, Local Government Act 1986)

The Council's expenditure on publicity was as follows:

2007/08 £000's		2008/09 £000's
5	Recruitment Advertising	9
0	Other advertising	4
0	Other publicity	1
5	Total	14

Note 5 Section 137 Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service and mayoral appeals. The Council's expenditure under this power was £1,300 (£1,000 in 2007/08).

Note 6 Income from Goods and Services

The Council is empowered by the Local Authority (Goods and Services) Act, 1970 to provide goods and services to other public bodies, however, income from this source has been nil this financial year as in previous years.

Note 7 Officers Emoluments and Members Allowances

The number of employees, including those employed at the Five Islands School, whose remuneration (excluding pension contributions) was £50,000 or more were:

2007/08	Remuneration Bands	2008/09
3	£50,000 - £59,999	3
0	£60,000 - £69,999	1
2	£70,000 - £79,999	1
5	Total	5

The total amount of allowances paid to Members during the year was £93,240 (2007/08: £86,261).

Note 8 Related Party Transactions

These are material transactions with bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows the reader to 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 other parties from bargaining 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. Details of transactions with government departments are set out in Note 31 to the Cashflow Statement.

Members of the Council have direct control over the Council's financial and operating policies. The Council's constitution requires members to declare their interests in related parties in a register of interests. In addition members are asked to declare their interests during Committee meetings. During 2008/09, payments of £272,000 were made to companies in which 24 separate declarations of interest were made by Members in the register. These payments were made in compliance with the Council's Financial Regulations.

Officers are required to declare their interests in the register of interests and during Committee meetings when in attendance. An Officer has declared an interest in a company which has received payments totalling £62,000 from a completely separate service area within the Council. No further material transactions have been disclosed.

Other Public bodies - Devon and Cornwall Police Authority precept upon the Authority for sums collected by the Council Tax. This precept is shown within the Collection Fund (page 38). As a member of the Local Government Pension Scheme, the Council paid employer's contributions to Cornwall County Council during the year. This contribution is shown within Note 27- Local Government Pension Scheme.

The Council has a representative on the board of Island Marketing, a public private partnership and makes an annual contribution of £15,000 per year. The Council also contributes £41,000 per year, under contract, to Scout Enterprises to deliver the Isles of Scilly Local Involvement Network (LINK).

Note 9 External Audit Fees

2007/08 £000's		2008/09 £000's
68	External Audit Services	66
6	Inspection Fees	6
3	Grants Claims	5
77		77

Note 10 Movement on Fixed Assets

Operational Assets	Council Dwellings					Total £000's
	Housing Revenue £000's	General Fund £000's	Other Land & Buildings £000's	Vehicles, Plant etc £000's	Infra- structure £000's	
Cost or Valuation						
At 1 April 2008	13,066	2,121	9,220	1,609	6,757	32,773
Additions	32	6	224	41	28	331
Disposals	0	0	0	0	0	0
Revaluations	0	0	69	0	0	69
At 31 March 2009	13,098	2,127	9,513	1,650	6,785	33,173
Depreciation and Impairments						
Accumulated depreciation & impairment	0	(197)	(1,922)	(1,228)	(1,928)	(5,275)
Charge for 2008/09	(2,254)	(53)	(392)	(136)	(242)	(3,077)
Revaluations	165	0	6	0	0	171
At 31 March 2009	(2,089)	(250)	(2,308)	(1,364)	(2,170)	(8,181)
Balance sheet amount 31 March 2009	11,009	1,877	7,205	286	4,615	24,992
Balance sheet amount 1 April 2008	13,066	1,924	7,298	381	4,829	27,498
Nature of Asset Holding						
Owned	11,009	1,877	7,205	286	4,615	24,992
	11,009	1,877	7,205	286	4,615	24,992

Note 10 continues over the page.

Non - Operational Assets	Assets Under Construction £000's	Investment Properties £000's	Total £000's	Total Fixed Assets £000's
Cost or Valuation				
At 1 April 2008	20	396	416	33,189
Additions	134	0	134	465
Disposals	0	0	0	0
Revaluations	0	0	0	69
At 31 March 2009	154	396	550	33,723
Depreciation and Impairments				
Accumulated depreciation & impairment	0	0	0	(5,275)
Charge for 2008/09			0	(3,077)
Revaluations			0	171
At 31 March 2009	0	0	0	(8,181)
Balance sheet amount 31 March 2009	154	396	550	25,542
Balance sheet amount 1 April 2008	20	396	416	27,914

Nature of Asset Holding

Owned	154	396	550
	154	396	550

The opening balances of Other Land and Buildings and Vehicles, Plant, Furniture and Equipment have changed to reflect the re-classification of the Council's Incinerator as Other Land and Buildings.

Impairment of Property Values

The District Valuation Service revalued the Council dwellings (Housing Revenue) and garages on 1 April 2008. This revaluation maintained prices as at 1 April 2007. This resulted in the value being reduced because the capital enhancements undertaken and brought into the value during 2007/08 of £119,000 were not considered to have increased the value.

The District Valuation Service also carried out an impairment review of capital property asset valuations as at 31 March 2009. This review covered operational assets (non-specialised), operational assets (specialised), non operational assets held as investments and the properties held in the Housing Revenue Account.

This review recognised that property prices have fallen significantly across the UK in the last 12 months. As a result the review determined that the valuations of the properties within the Housing Revenue Account have fallen by 15% - £1.970 million. The valuer did not impair any other properties as their revaluations were not as current as those for the HRA which legally have to be revalued annually see Note 12.

The total impairment charges for 2008/09 are therefore £2.089 million.

The Revaluation Reserve was created on 1 April 2007 as per the SORP. This account records the valuation gains and losses resulting from revaluations and impairment. In 2007/08 the account recorded revaluation gains of £1.244 million, £1.048 million of which related to HRA revaluations. Any impairment is charged initially against any revaluation gains recorded to this reserve on a property by property or asset by asset basis. Once the accumulated gains are exhausted the balance is charged to the relevant service within the Income and Expenditure Account.

In this case the balance has been charged to the Housing Revenue Account.

Note 11 Tangible Fixed Assets

Asset Description	Number	Asset Description	Number
Council Houses	108	Reservoirs	3
General Fund Houses	9	Desalination Plant	1
Garages	21	Water/sewerage pumping stations	4
Education - School Buildings	1	Industrial Estate	1
- Hostel	1	Fire Station (St. Mary's)	1
Residential Care Home	1	Fire Stations (Off Islands)	4
Administrative Buildings	5	Fire Other Buildings	1
Public Conveniences	6	Fire Service vehicles	7
Airport	1	Cemetery	1
Airport - vehicles and moveable plant	4	Park/garden	1
Works Depot	1	Miscellaneous Buildings	5
Works - vehicles and plant	19	Roads (adopted)	14.5km
Incinerator	1		

Note 12 Valuation of tangible fixed assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Assets are recorded at net book value as at 31 March 2009. The valuations are carried out by District Valuer Services (South West) in full compliance with the RICS Appraisal and Valuation Standards 5th Edition as published by the Royal Institute of Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies. (Excludes assets under construction)

	Council Dwellings		Other		Invest-		Total
	Housing	General	Land &	Vehicles,	Infra-	ment	
	Revenue	Fund	Buildings	Plant etc	structure	Properties	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Valued at historical cost				286	2,980		3,266
Valued at current value in:							0
2008/09	11,009		849				11,858
2007/08			248				248
2006/07		273	2,224			316	2,813
2005/06		1,604				80	1,684
2004/05			3,884		1,635		5,519
2001/02							
	11,009	1,877	7,205	286	4,615	396	25,388

Note 13 Land Leases

Fixed assets include buildings constructed on land that is not owned by the Council. The land is leased from the Duchy of Cornwall for a nominal sum and the length of these leases varies, although some are on an annual rolling basis.

Whilst it is unusual for a Council not to own the freehold to the land on which its assets are built, it is reasonable to continue to recognise these as assets and to depreciate them over their useful lives.

Note 14 Capital Expenditure & Financing

2007/08 £000's		2008/09 £000's
5,851	Opening Capital Financing Requirement	5,765
	Capital Investment	
388	Operational Assets	331
0	Non-operational Assets	134
	Sources of Finance	
(84)	Government grants and contributions	(195)
(156)	Revenue Contribution	(207)
(234)	Minimum Revenue Provision	(231)
5,765	Closing Capital Financing Requirement	5,597
	Explanation of movements in year	
(86)	Increase/(Decrease) in underlying need to borrow (unsupported by Government financial assistance)	(168)
(86)	Increase/(Decrease) in Capital Financing Requirement	(168)

The Council has a three-year capital programme. The most significant schemes and their financial commitments are outlined in the table below:

	£000's
New Five Island School (St. Mary's)	
2009/10	4,444
2010/11	4,000
2011/12	4,343
Total Financial Commitment	12,787

Note 15 Government Grants Deferred

	2008/09					Total £000's
	Incinerator £000's	Airport £000's	Coastal Protection £000's	Childrens Services £000's	Other £000's	
Gross Value 1 April 2008	190	236	1,522	0	417	2,365
Additions	0	0	0	106	89	195
Grants released in year	(42)	(33)	(54)	(1)	(94)	(224)
Gross Value 31 March 2009	148	203	1,468	105	412	2,336

Note 16 Deferred Capital Grants

2007/08 £000's		In year Movements	2008/09 £000's
1,590	Off Islands Quay Project	(1,389)	201
90	DTLR - Implement Electronic Government	(34)	56
304	Standards Fund	1	305
4	SENDA Grant	0	4
0	New School Build	444	444
0	Disabled Facilities Grant	5	5
0	Mental Health Capital Grant	50	50
1,988		(923)	1,065

Note 17 Financial instruments - liquidity

As the Authority has ready access to borrowings from the Public Loans Works Board (PWLB), there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

	Long Term		Current	
	31 March 2008 £000's	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's
Financial Liabilities at Amortised Costs	713	570	155	143
Accrued Interest	13	10	3	3
Total Borrowings	726	580	158	146
Unquoted Debenture Stock	0	0	10	0
Total Investments	0	0	10	0

The maturity analysis of financial liabilities is as follows:

	Trade Payables £000's	PWLB Loans £000's	Accrued Interest on PWLB Loans £000's	Total £000's
Less than 1 Year	418	143	3	564
Between one and two years		142	2	144
Between two and five years		201	4	205
More than five years		227	4	231
Total	418	713	13	1,144

The fair value of PWLB loans as at 31 March 2009 is £806,000 (31 March 2008: £925,000), the additional costs indicated in that figure reflect early repayment penalties that would be applied by PWLB should the loans be repaid early.

Note 18 Stock

2007/08 £000's		2008/09 £000's
5	General raw materials	3
61	Water & Desalination plant	65
2	Tourist Information Centre	1
14	Airport	16
19	Incinerator	19
101		104

Note 19 Debtors

2007/08 £000's		2008/09 £000's
241	Government Grants	226
3	Rates and Taxpayers	115
14	Housing Tenants	7
1,064	Sundry Debtors	663
1,322		1,011

Note 20 Cash & Bank

31 March 2008 £000's		Movement during the year £000's	31 March 2009 £000's
2,759	Cash held at bank	331	3,090
291	School's local bank accounts	(42)	249
1	Petty cash	0	1
3,051		289	3,340

Note 21 Creditors and Receipts in Advance

2007/08 £000's		2008/09 £000's
681	Sundry Creditors	418
1,442	Unspent Government Grants	2,036
11	Rate and Taxpayers	59
7	Rents Accrued	5
2,141		2,518

Note 22 Contingent Assets

The Council is currently claiming approximately £95,000 from Cornwall Primary Care Trust. This sum is due to the Council as the Council considers that the care costs should have been funded by the PCT, however this payment unlikely to be settled.

The Council held an investment debenture in a 'not for profit' company. The company has paid out on the investment and has since entered into voluntary liquidation. The administrators are currently making legal representations for the profit that was made, but not anticipated, to be shared amongst the debenture holders. A sum of £5,000 would be due to the Council if the profits can be shared amongst debenture holders and this is likely to occur.

Note 23 Prior Period Adjustment

There were no prior period adjustments.

Note 24 Summary of Movement on Reserves

The Council keeps a number of reserves which have been established in the balance sheet. They have been established either to comply with statutory requirements or proper accounting practice or may be earmarked resources for future spending plans.

Balance 1 April 2008	Reserve	Movements during the		Balance 31 March 2009	Notes
		Increases £000's	Used in year £000's		
1,244	Revaluation Reserve	240	(1,219)	265	25
18,541	Capital Adjustment Account	834	(2,030)	17,345	26
274	Usable Capital Receipts	0	0	274	
(1,118)	Pensions Reserve	501	(2,069)	(2,686)	
224	HRA - Housing Revenue Account	24	0	248	
232	HRA - Major Repairs Reserve	171	(117)	286	
140	HRA - Housing Repairs Account	0	(55)	85	
1,406	General Fund - Council Fund	2,893	(2,745)	1,554	
161	General Fund - Collection Fund	2,706	(2,701)	166	
291	General Fund - School Fund	0	(42)	249	
483	Earmarked - Water Reserve	23	(14)	492	
640	Earmarked - Airport Reserve	151	(5)	786	
188	Earmarked - Capital Reserve	157	(138)	207	
683	Earmarked - Repairs Fund	21	(75)	629	
44	Earmarked - Plant Fund	26	(12)	58	
459	Earmarked - Sewerage Reserve	83	0	542	
10	Earmarked - Equipment Fund	0	0	10	
0	Earmarked - Social Care Transport	41	0	41	
0	Earmarked - Pollution Reduction Control	11	0	11	
0	Earmarked - Service Carry Forwards	104	0	104	
23,902		7,986	(11,222)	20,666	

Note 25 Revaluation Reserve

2007/08 £000's	Revaluation Reserve	2008/09 £000's
0	Opening Balance	1,244
	Upward Revaluations	69
1,244	Downward Revaluations & Impairment	(1,048)
1,244	Closing Balance	265

Note 26 Capital Adjustment Account

2007/08 £000's	Capital Adjustment Account	2008/09 £000's
19,012	Opening Balance	18,541
(1,152)	Depreciation and Impairments during the year to I&E	(2,029)
0	Reversal of Accumulated Depreciation	171
290	Government Grants Deferred Amortisation	224
157	Contribution from revenue	207
234	Minimum Revenue Provision	231
18,541	Closing Balance	17,345

Note 27 Local Government Pension Scheme

The Council of the Isles of Scilly offers retirement benefits as part of the terms and conditions of its employees. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme administered by Cornwall County Council which is a defined benefit final salary scheme, with index-linked pension benefits. It is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the fund's liabilities with investment assets. An employer's contribution of £499,000 representing 21.5% of Superannuable Pay, (2007/08 £463,000 21.8%) was made in respect of all participating staff to the Cornwall County Council Superannuation Fund.

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The following entries have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance:

2007/08 £000's		2008/09 £000's
	Within Net Cost of Services:	
364	Current Service Cost	307
69	Past Service Cost	100
	Within Net Operating Expenditure	
(536)	Expected return on assets in the scheme	(562)
480	Interest Costs	628
(56)	Pensions interest costs and expected return on pension assets	66
377	Net Charge to the Income and Expenditure Account	473

2007/08 £000's	Statement of Movement on the General Fund Balance	2008/09 £000's
(377)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(473)
465	Employers Contributions payable	501
88		28

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £1,596,000 (gain of £241,000 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total recognised Gains and Losses is a loss of £1,438,000.

Assets and Liabilities in relation to retirement benefits

The underlying assets and liabilities for retirement benefits attributable to the Authority as at 31 March 2009 are as follows:

2007/08 £000's		2008/09 £000's
(8,970)	Estimated liabilities in the scheme	(9,030)
7,852	Estimated assets in the scheme	6,344
(1,118)	Net assets/(liabilities)	(2,686)

The net position has deteriorated during 2008/09 due to poor performance of investments.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. They are based on the latest full valuation of the scheme as at 31 March 2009.

Reconciliation of present value of liabilities:

2007/08 £000's	2008/09 £000's
8,855 Liabilities as at 1 April	8,970
364 Current Service Costs	307
480 Interest Costs	628
112 Contributions by Members	150
(433) Actuarial Losses / (Gains)	(840)
69 Past Service Costs	100
(2) Estimated unfunded benefits paid	(2)
(475) Estimated benefits paid	(283)
8,970 Liabilities as at 31 March	9,030

Reconciliation fair value of assets:

2007/08 £000's	2008/09 £000's
7,408 Assets as at 1 April	7,852
536 Expected return on Assets	562
112 Contribution by Members	150
463 Contributions by Employer	499
2 Contribution in respect of unfunded Benefits	2
(192) Actuarial Gains / (Losses)	(2,436)
(2) Unfunded benefits paid	(2)
(475) Benefits paid	(283)
7,852 Assets as at 31 March	6,344

The above asset values as at 31 March 2009 are at bid value as required under FRS17. Please note that in previous accounting periods, the value of assets may have been reported at mid-market value. The fair value of assets was taken as mid-market value at 31 March 2008 and the employer has confirmed that, on the grounds of materiality, it does not require the figures for previous accounting periods to be restated.

Assets in the scheme are valued at fair value, principally market value for investments, and consist of the categories below:

Proportion of assets held within the Local Government Pension Scheme by type:		%
68	Equity Investments	66
16	Bonds	16
9	Property	7
7	Cash	11

Long Term Expected Rate of Return on Assets in the Scheme:		% p.a.
7.7	Equity Investments	7.0
5.7	Bonds	5.6
5.7	Property	4.9
4.8	Cash	4.0

The actual return on scheme assets in the year was a loss of £1.801 million (gain of £344,000 in 2007/08).

The main assumptions used in the calculations are as follows:

31 March 2008		31 March 2009
% p.a.		% p.a.
3.6	Price Increases (inflation)	3.1
5.6	Salary Increases	5.1
3.6	Pensions Increases	3.1
6.9	Discount Rate for scheme liabilities	6.9

Mortality Assumptions - expected longevity after age 65:	Years
Current pensioners: Male	19.6
Current pensioners: Female	22.5
Future Pensioners: Male	20.7
Future Pensioners: Female	23.6

Take up of option to convert annual pension into retirement lump-sum	%
Membership prior to 1 April 2008	40
Membership post 1 April 2008	70

Scheme History

The actuarial gains identified as movements on the Pensions Reserve are analysed below:

	2008/09	2007/08	2006/07	2005/06	2004/05
	£000's	£000's	£000's	£000's	£000's
Present Value of Liabilities	(9,030)	(8,970)	(8,855)	(8,770)	(7,379)
Fair Value of Assets in the Local Government Pension Scheme	6,344	7,852	7,408	6,703	5,307
Actuarial Gain/(Loss) in Pension Fund	(2,686)	(1,118)	(1,447)	(2,067)	(2,072)

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £520,000.

History of experience gains and losses

The actuarial gains and losses identified as movements on the pensions reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities as at 31 March 2009:

	2008/09	2007/08	2006/07	2005/06	2004/05
	%	%	%	%	%
Difference between expected and actual return on assets	(38.40)	(2.45)	1.90	15.01	4.26
Experience gains and losses on liabilities	(2.98)	13.20	(0.02)	0.02	(3.10)

Note 28 Reconciliation of net surplus/deficit on the Income & Expenditure Account to the revenue activities net cash flow shown in the Cash Flow Statement.

2007/08 £000's		2008/09 £000's
(49)	General Fund (Surplus)/Deficit	795
(30)	Collection Fund (Surplus)/Deficit	(5)
(79)		790
	Adjustment for non-cash transactions	
(1,152)	Depreciation and Impairment of Fixed Assets	(2,029)
0	Depreciation and Impairments to Revaluation Reserve	171
271	Contribution (to)/from Reserves	(313)
318	Government Grants Deferred	224
(56)	Net Retirement Benefit Charges	66
(619)		(1,881)
	Adjustments for items on an accruals basis	
(177)	(Increase)/Decrease in total creditors	(377)
57	(Increase)/Decrease in total provisions	0
4	Increase/(Decrease) in total stocks	3
709	Increase/(Decrease) in total Debtors	(311)
593		(685)
	Items classified elsewhere in the Cash Flow Statement	
194	Interest received	145
(98)	Interest paid	(42)
96		103
(9)	Revenue Activities net cash flow	(1,673)

Note 29 Reconciliation of the movement in cash to the movement in net debt

2007/08 £000's		2008/09 £000's
	Increase/decrease in cash in the period	
701	Cash outflow from debt repaid and finance lease payments	155
322	Cash inflow from increase in liquid resources	330
1,023	Change in net debt resulting from cash flows	485
869	Net Debt 1 April	1,023
1,023	Net Debt 31 March	538

Note 30 Movement in Cash, Liquid Resources and Borrowing

1 April 2008 £000's		Movements during the year £000's	31 March 2009 £000's	Note
3,051	Bank & Cash in Hand	289	3,340	20
(290)	School Bank Accounts	41	(249)	
2,761		330	3,091	
(868)	Loans Outstanding at 31 March	155	(713)	
1,893	Net Cash Balances	485	2,378	

Note 31 Analysis of Government Grants

2007/08 £000's		2008/09 £000's
2,655	Education - Standards Fund/Isles of Scilly Grant	2,697
146	Early years & Child Care - Sure Start	263
0	Area Based Grant	197
0	Adult Learning - Core Funding Grant	194
78	Planning - Natural England	157
0	Education - Various	148
132	Council Tax Discounts	141
0	Planning - European Social Fund	128
148	Youth Opportunities	125
121	Education - Contact Point	110
69	Adult Learning - Learning & Skills Council Grants	94
0	Education - Sixth Form and Learning Needs	87
0	Planning - Delivery Grant	77
0	Social Services - Stroke Pathways	75
0	Planning - English Heritage	65
64	Housing - Local Housing Allowance	65
45	Education - Teacher Training (TDA)	41
0	Transport - Concessionary Travel	39
24	Cost of Collection	24
29	Community Safety - Safer Communities	23
70	Transitional Relief	19
367	Balance of other grants	262
3,948		5,031

Note 32 General Government Grants

2007/08 £000's		2008/09 £000's
(266)	Revenue Support Grant	(263)
	Area Based Grant	(197)
	Local Authority Business Growth Incentive Grants	(41)
(266)		(501)

Note 33 Disclosure of deployment of Isles of Scilly Education Grant

The Council's expenditure on schools is funded primarily by the Isles of Scilly Education Grant received from the Department for Children, Schools, and Families (DCSF).

Details of the deployment of the Isles of Scilly Education Grant receivable for 2008/9 are as follows:

	Central Expenditure* £000's	Individual Schools Budget £000's	Total £000's
Isles of Scilly Education Grant for 2008/9			2,697
Agreed budgeted distribution of grant in 2008/9	569	2,127	2,697
Actual central expenditure	661		
Actual ISB deployed to schools		2,134	
Local Authority contribution for 2008/9	92	7	99
Carry forward to 2009/10	0	0	0

* Included in this column is the central expenditure of the Schools Budget plus other Children's Services budgets, excluding Children's Social Care.

Note 34 Isles of Scilly Fire Fighters Pension Scheme

The funding arrangements for the Fire Fighters Pension Scheme in England changed on 1 April 2006 when the Fire Fighters Pension Scheme (Amendment) (England) order 2006 was introduced.

Prior to this date the scheme did not have a percentage of pensionable pay type of employer's contribution. Rather each Fire and Rescue Authority (FRA) was responsible for paying the pensions of its former employees on a pay-as-you-go basis. Under the new funding arrangements the schemes remain unfunded but will no longer be on a pay-as-you-go basis as far as an individual FRA is concerned. Authorities no longer meet the pension outgoings directly and instead pay an employer's pension contribution based on a percentage of pay into the Pension Fund. Each individual FRA in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Pension Fund are specified by regulation.

The Council, acting as a Fire and Rescue Authority, administers and pays Fire Fighters Pensions. Employee contributions and a new employer's contribution are paid into the pension fund from which pension payments are made. The fund is topped up by Government grant if the contributions are insufficient to meet the cost of pension payments, while any surplus in the fund is recouped by Government.

No payments to members of the pension scheme have occurred as shown on the statement.

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Department of Communities and Local Government (DCLG) and subject to triennial revaluation by the Government Actuary's Department.

The Fire Fighters Pension Scheme fund has no investment assets. The net assets statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date.

Note 34 continues over the page.

Accounting Policies

1. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with guidance notes issued by CIPFA on the application of accounting standards to Local Authorities. They do not take account of liabilities to pay pensions and other benefits in the future.
2. Income and expenditure have been accounted for on an accruals basis for contributions and benefits payable.

Fire & Rescue Pension Fund Accounts

2007/08 £000's		2008/09 £000's
	Contributions Receivable	
	Fire Authority:	
(4)	- contributions in relation to pensionable pay	(4)
(5)	Firefighters' Contributions	(6)
(9)		(10)
9	Top-up grant payable (to) / from the Government	10
0		0

Net Assets Statement as at 31 March

2007/08 £000's		2008/09 £000's
	Net current liabilities	
14	Top-up grant payable from the Government	10
(14)	Creditors - amounts due to Government	(10)
0	Total Net Liabilities	0

Housing Revenue Income and Expenditure Account

2007/08 £000's	2008/09		Note
	£000's	£000's	
	Income		
(318)	Dwelling Rents (gross)	(325)	
(8)	Non-dwelling rents (gross)	(9)	
(16)	Charges for services and facilities	(13)	
(342)	Total Income		(347)
	Expenditure		
99	Repairs and Maintenance	155	41
105	Supervision and Management	105	
171	Depreciation and Impairment of Fixed Assets	1,213	
1	Debt Management Costs	0	
1	Special Support Services	3	
9	Negative Housing Revenue Account subsidy	31	44
386	Total Expenditure		1,507
44	Net Cost of HRA Services per authority Income and Expenditure Account		1,160
43	Interest payable and similar charges		26
(14)	Interest and investment income		(14)
73	(Surplus)/Deficit for the year on HRA services		1,172

Statement of Movement on the Housing Revenue Account Balance

2007/08 £000's		2008/09 £000's	
73	(Surplus)/Deficit on the HRA Income and Expenditure Account	1,172	
(100)	Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement in the Housing Revenue Account Balance	(1,196)	35
(27)	(Increase)/Decrease in the Housing Revenue Account Balance	(24)	
(197)	Housing Revenue Account surplus brought forward	(224)	
(224)	Housing Revenue Account surplus carried forward	(248)	

Collection Fund

2007/08 £000's		2008/09 £000's	Note
Income			
(1,296)	Council Tax	(1,355)	44
(66)	Transfer from General Fund - Council Tax Benefits	(74)	
(1,141)	Income collectable from business ratepayers	(1,275)	45
(2,503) Total Income		(2,704)	
Expenditure			
Precepts			
1,050	General Fund	1,120	
154	Police	169	
Business rates			
1,118	Payment to national pool	1,250	
24	Costs of collection	24	
Distribution of previous year's surplus			
110	General Fund	117	
17	Police	19	
2,473 Total Expenditure		2,699	
(30) (Surplus)/Deficit on Collection Fund		(5)	
131 Collection Fund Balance 1 April		161	
161 Collection Fund Balance 31 March		166	

Statement of Movement on Collection Fund Balance

2007/08 £000's		2008/09 £000's
(30)	Surplus for the year on the Collection Fund	(5)

Notes to the Supplementary Financial Statements

Note 35 Statement of Movement on the HRA Balance

2007/08 £000's	2008/09 £000's
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	
0 Depreciation in Excess of Major Repairs Allowance	
0 Impairment Losses on Fixed Assets	(1,042)
0	(1,042)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(101) Transfer to /(from) Major Repairs Reserve	(99)
1 Transfer to /(from) Housing Repairs Account	(55)
(100) Net Additional amount required by statute to be debited or (credited) to the HRA balance for the year	(1,196)

Note 36 Analysis of Council Housing Stock

2007/08 Number	2008/09 Number
Flats & Bedsits	
37 One Bedroom	37
14 Two Bedrooms	14
1 Three Bedrooms	1
52 Total Flats and Bedsits	52
Houses and Bungalows	
3 One Bedroom	3
10 Two Bedrooms	10
39 Three Bedrooms	39
4 Four or more bedrooms	4
56 Total Houses and Bungalows	56
108 Total Number of Council Dwellings	108

Note 37 Value of HRA Assets

	Houses £000's	Garages £000's	Land £000's	Total £000's
Value as at 1 April 2008	13,231	231	0	13,462
Additions in the year	32	0	0	32
Revaluations & Impairment on revaluation	(2,089)	0	0	(2,089)
Reversal of Accumulated Depreciation	(165)	(6)	0	(171)
Value as at 31 March 2009	11,009	225	0	11,234

Note 38 Vacant Possession Value of Council Houses

The introduction of Resource Accounting in the Housing Revenue Account requires all HRA assets to be revalued as at 1st April each year. The basis of the valuation is Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institute of Chartered Surveyors. The method of valuation prescribed by the RICS to arrive at EUV-SH is based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The Adjustment Factor for the South West remains at 44% of the Vacant Possession Value. The value of the adjustment, in effect, reflects the cost of providing Council Housing at less than Market Value. At 1 April 2008 the vacant possession value of dwellings within the Council's HRA was £29.791 million (1 April 2007: £29.801 million).

Note 39 Impairment costs

The SORP clearly defines impairment costs as being those costs that have arisen due to the economic consumption or downward revaluation of an asset. Further to Note 10 above, the District Valuation Service revalued the Council Dwellings (Housing Revenue Account) and garages on 1 April 2008. This revaluation maintained prices as at 1 April 2007. This resulted in the value being reduced because the capital additions brought into the value during 2007/08 of £119,000 were not recognised.

The District Valuer's carried out an impairment review as at 31 March 2009 where he recognised that property prices have fallen significantly in the UK in the last 12 months. As a result, the review determined that the valuations of the properties within the Housing Revenue Account have fallen by 15% - £1.970 million.

The total impairment charges for 2008/09 are therefore £2.089 million.

The impairment charge does not fall as a cost to the Housing Revenue Account rent payers because it is an unrealised loss. The charges are reversed out of the Housing Revenue Account in the Statement of Movement in the General Fund.

Note 40 Movement on the Major Repairs Reserve

2007/08 £000's		2008/09 £000's
	Depreciation	
(165)	Dwellings	(165)
(6)	Garages	(6)
(171)	Total Depreciation	(171)
97	Major Repairs Expenditure	18
	Transfer to General Fund	
6	Depreciation of other buildings	6
95	Depreciation in excess of MRP	93
198		117
27	(Surplus)/Deficit	(54)
(259)	Balance as at 1 April	(232)
(232)	Balance as at 31 March	(286)

Note 41 Movement on Housing Repairs Account

2007/08 £000's		2008/09 £000's
(139)	Balance at 1 April	(140)
(100)	Contribution from Housing Revenue Account	(100)
99	Expenditure on Housing Repairs	155
(140)	Balance at 31 March	(85)

Note 42 Analysis of Capital Expenditure

2007/08 £000's		2008/09 £000's
119	Capital Outlay - houses	38
119		38
Financed by:		
(22)	Reserves and temporary borrowing	20
(97)	Major Repairs Reserve	18
(119)		38

Note 43 Rent Arrears

2007/08 £000's		2008/09 £000's
10	Gross Rent Arrears at 31 March	14
(2)	Prepaid Rent	(4)
8	Net Rent Arrears	10

The arrears of £10,389 represents 3.0% of the gross rent income for the year (being £8,162 at 2.4% for 2007/08).

Note 44 Breakdown of HRA subsidy

2007/08 £000's		2008/09 £000's
100	Management Allowance	102
87	Maintenance Allowance	90
70	Major Repairs Allowance	72
Charges for Capital		
0	Admissible set-aside	0
42	Interest Charge	26
36	Debt Management	37
335	Net Rent Arrears	327
(344)	Notional Rent Income	(358)
(9)	Housing Subsidy (negative)	(31)

Note 45 Calculation of Net Council Tax

2007/08 £000's		2008/09 £000's
(1,495)	Council tax - gross due	(1,586)
	Less	
110	Discounts	117
22	Exemptions	25
66	Benefits	74
1	Previous year's adjustment	15
(1,296)	Net Council Tax	(1,355)

Note 46 Business Rates

The Council collects non-domestic rates for its area based on rateable values multiplied by the national rate. This is collected on behalf of the Government and paid into a central pool. The Council then receives an allocation based on a fixed amount per head of population.

2007/08 £000's		2008/09 £000's
1,339	NNDR Debit	1,430
(193)	Less: Transitional & Other Relief	(154)
(5)	Previous year adjustments	(1)
1,141	Net Income from Business Ratepayers	1,275
1,587	Redistributed amount from NNDR Pool	1,888
	Multiplier Rates	
44.4p	Non - Domestic	46.2p
44.1p	Small Business	45.8p

Note 47 Council Tax Base Relationship

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands (based on 1 April 2003 values for this specific purpose). Charges are calculated by taking the amount of income required for the Council and the Police Authority for the forthcoming year and dividing this amount by the Council Tax Base. The Council Tax Base is the number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent, totalled across all bands and adjusted for discounts, see table below.

Valuation Band	Range of Values	Link to band D	Dwellings on valuation List	Adjusted for Discounted Dwellings	Band D Equivalents
A	Up to £40,000	6/9	12	11	7
B	£40,001 to £52,000	7/9	29	23	18
C	£52,001 to £68,000	8/9	83	68	60
D	£68,001 to £88,000	9/9	233	186	186
E	£88,001 to £120,000	11/9	334	281	344
F	£120,001 to £160,000	13/9	305	262	379
G	£160,001 to £320,000	15/9	147	124	206
H	Over £320,000	18/9	8	8	16
			1,151	963	1,216

All bands are linked to the Basic Band D, proportionately. The amount for a Band D property (£1,081.92 in 2008/09) is multiplied by the proportion specified for the particular band to give the individual amount due.

Note 48 Precepting Bodies

The Collection Fund is required to meet, in full during the financial year, precepts and demands made on it by precepting Authorities and the billing Authority. This Council is required to make payments to Devon and Cornwall Police Authority.

1. SCOPE OF RESPONSIBILITY

The Council of the Isles of Scilly 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 of the Isles of Scilly also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Council of the Isles of Scilly 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.scilly.gov.uk/governance or can be obtained by e-mail from governance@scilly.gov.uk or in hard copy from the Town Hall. This statement explains how the Council of the Isles of Scilly 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.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of the Council of the Isles of Scilly, 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 the Council of the Isles of Scilly for the year ended 31 March 2009 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The Council of the Isles of Scilly is a small unitary authority delivering a broad range of services to a unique island community, located 45km south west from mainland Britain. The population of the Islands was recorded as 2,153 at the last census in 2001 and is spread over five inhabited Islands. The vast majority of the population, 1,600, lives on St Mary's. The population has remained stable for the last 100 years but over the past ten years the elderly population has increased by around seven per cent while under 16's have decreased by six per cent. Diversity issues are focused on access to services for the small off island communities and the influx of seasonal migrant workers which number in excess of 100, predominantly from Eastern Europe.

The Duchy of Cornwall owns the vast majority of land on the islands, apart from a small area of the main town on St Mary's. There are just over a 100 Council houses and a key issue is providing sufficient affordable and key worker housing.

Education levels are considerably higher than the national average. The Five Islands School provides primary and secondary education on the islands with post-16 further and higher education undertaken on the mainland.

The Authority delivers the widest range of services of any council in the country, all of the usual statutory services as well as some additional services such as tourism (the economy is 85% dependent on this), water, sewerage and operates St Mary's Airport, the 10th busiest regional passenger airport in the UK. This wide range of services is delivered with a limited budget; (the 2008/09 requirement was £3.388 million) and a small core of staff. Furthermore, the geographic context means that there is an additional cost and complexity to all service delivery. This combined with very small cohorts of clients means that it is not necessarily meaningful to benchmark against national statistics and all statistics need careful interpretation.

The special nature of Scilly is reflected in its unique constitutional position. It has its own 'Isles of Scilly Clause', the aim of which is to try to ensure that all laws applied to the Islands are appropriate to the size and scope of the Isles of Scilly. The Clause is added to all new legislation meant to apply to the Council and omitted from all legislation not meant to apply.

The Authority has always been non-political and is currently made up of 21 independent Members, 13 elected by St Mary's residents and two each elected by residents of Bryher, St Martins, St Agnes and Tresco. The Council is an Option 4 Authority under the Local Government Act 2000 and retains a committee system consisting of ten standing committees and the statutory Council meetings. The Council's business is transacted within a general framework of authority comprising statutory provisions, orders and directions, bylaws and a variety of specific resolutions of the Council and its various Committees.

Responsibility for the appointment of the Chief Executive is reserved to Council. The Chief Executive has overall corporate management and operational responsibility (including overall management responsibility for and authority over all Officers), and is responsible for advice to Members on strategy, policy, management and organisation and has primary responsibility for ensuring that decisions taken by Council are taken in accordance with proper processes and after full consideration of all relevant facts, circumstances and legal advice where necessary.

Cornwall Council is commissioned to provide the Internal Auditor service for the Council of the Isles of Scilly. The Head of Internal Audit provides an annual report giving an opinion on the overall adequacy and effectiveness of the Authority's risk management systems and internal controls, and an interim report during the year. These reports draw attention to any issues the Head of Internal Audit assesses as relevant to the preparation of the Annual Governance Statement, summarising the Authority's performance and that of the internal audit function.

The reports of the Head of Internal Audit, as well as assurances and reports from external auditors, third parties, Members and Officers are used in the preparation of the Annual Governance Statement prior to its review, challenge and approval by Council.

The key elements of the Council's systems and processes that comprise the Authority's governance arrangements are:

No	<i>Element of Governance</i>
Statutory Obligations and Organisational Objectives	
3.1	The Council of the Isles of Scilly has adopted a Code of Conduct that is in line with suggested best practice principles and expects all its Members, Officers and contractors to adhere to the highest standards of public service, with particular reference to the Code of Conduct and policies of the Council and applicable statutory requirements. Members follow procedures to ensure that the Authority is efficient, transparent and accountable to the local people, including Council minutes showing delegation of Members and Officers and Committee terms of reference.
3.2	Records of statutory obligations are accessible to our community and stakeholders via a central legal library, held in the Town Hall, and on the Council's website and intranet.
3.3	Effective procedures are in place to establish and monitor statutory obligations and the corporate priorities. Assurance is given to the Chief Executive that legislative changes are identified and communicated to Members to ensure implementation and/or action to be taken. Following induction training, awareness training is periodically arranged to apprise Members of new or changes to statutory obligations and legislation.
3.4	Action is taken where areas of non-compliance are found in either mechanism or legislation. Audit reports are reviewed and corrective action reports are taken to the appropriate committee. The Modernising Local Government Group reviews risks registers and action plans in respect of legal risks. Internal Audit reports are reported to the Management Team and Members at the relevant Committee meetings.
3.5	The Council involves the community and stakeholders by holding consultations to ensure the Council's priorities and objectives within the business plans reflect the wants and needs of the stakeholders.
3.6	The Council's priorities are decided upon following consultation and taking into account the feedback from the consultations with our community and stakeholders. This is reflected in partnership arrangements that are aligned to the Council's corporate priorities.
3.7	The Council's priorities are published in the Sustainable Community Strategy 2020 and Local Area Agreement by taking into account the annual budget and medium term financial plans.
3.8	The Council's service plans include each department's contribution to the strategic objectives outlined in the Sustainable Community Strategy and Local Area Agreement and are supported by action plans with targets taking into account the available funding. These plans provide direction for the Council and are accessible to Officers, Councillors, partners and the public. Progress is monitored by regular reporting to the appropriate parent committee.
3.9	The Communication Strategy establishes and maintains effective channels of communication between directors, managers, employees, partners and stakeholders to enable the Council's goals and objectives to be clearly understood, acted upon and achieved. All key documents clearly set out the corporate objectives and are accessible to Officers, Councillors, partners and the public via the Council's website and intranet.
3.10	A Local Code of Governance has been developed from the six core principles of good governance, and supporting principles, in line with the CIPFA/SOLACE guidance and adopted by the Policy and Resources Committee. The communication strategy relating to the code is published within the code itself as the final section. The Authority's Local Code of Governance is accessible to all stakeholders on the Council's website and intranet and is included within the Annual Governance Statement.

No	<i>Element of Governance</i>
3.11	The Local Code of Governance is reviewed annually and is monitored not less than twice per year. The annual review of the Code of Governance is the responsibility of the Corporate Governance Lead, is reviewed by the Modernising Local Government Group and reported to the Policy and Resources Committee. Decisions are recommended to relevant committees.
3.12	The Policy and Resources Committee has responsibility for receiving and ensuring the Council's compliance with Corporate Governance issues as set out in the Terms of Reference in the Members Handbook. The Policy and Resources Committee receives reports not less than twice per year on the progress of the Annual Governance Statement and Local Code of Governance.
3.13	Training for Officers, key staff and Members is planned during 2009. Awareness and induction training for new staff and Members is planned following the initial training.
3.14	The Local Code of Governance is published on the Council's website and intranet and communicated to all stakeholders to ensure all staff are aware of the Code of Governance and how their responsibilities fit into the Authority plans. Partner organisations are made aware of the importance of the Council's Code of Governance and processes to ensure that their employees and any third party involved are also aware of the Council's Code. External stakeholders are informed to assure them that the Authority is managing its internal controls and that the Authority will deliver services as expected.
3.15	The Council of the Isles of Scilly has a developing performance management framework that supports the effective monitoring and management of performance. Measures are being introduced to ensure that performance issues can be communicated and addressed across the Authority. Objectives, targets and action plans are publicised in accessible formats through the Local Area Agreement and service plans and are included on the Council's website and intranet.
3.16	Officers and service managers identify key performance indicators that are included in the Corporate and Service Plans and which are approved annually.
3.17	<p>The performance indicators assist in challenging the service's contribution to Strategic Objectives. Reviews and monitoring shows the Authority how it is performing against its planned outcomes through presentation of regular reports to Members.</p> <p>The Council has a set of performance indicators that are monitored by the Data Quality Group and reported to Policy and Resources Committee at least annually and published on the website and intranet.</p> <p>The Council has implemented a performance management ICT system and a Performance Management Group has been formed during 2008 to monitor and review performance management across the Authority.</p>
3.18	SMART action plans to improve below par performance are reported to Members of the appropriate committee. Subsequent corporate and service plans are revised in the light of these action plans and the subsequent performance results.
3.19	Continuous improvements are being planned by the Performance Management Group to ensure performance targets are adjusted in the light of benchmarking with other authorities and by review of actual performance during the coming year.

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The Requirement

How the Council will demonstrate compliance

3.20	Develop and promote the Authority's purpose and vision	<p>The Authority's purpose and vision is clearly communicated to all Members, Officers and staff as background on computers and the intranet, and to the community on the Council website. It also appears on Best Value Performance Review documentation and within the policy documents.</p> <p>The Sustainable Community Strategy has taken the vision forward and identified key areas to be addressed over the coming years.</p> <p>The Authority's corporate plans inform how the Council is to achieve the priorities to support the Sustainable Community Strategy by working in partnership with the community, and cascades further to the service and departmental plans.</p> <p>Strategies and plans are brought together in developing the Local Area Agreement to reflect and link to the Authority's purpose and vision and are central to the Authority's corporate planning.</p>
3.21	Review the Authority's vision for the local area and its impact on the Authority's governance arrangements on a regular basis	<p>The Modernising Local Government Group reviews the purpose and vision of the Authority on an annual basis and reports to Members.</p>
3.22	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	<p>The Council has improved its service planning by increased partnership working. The Sustainable Community Strategy has been developed to ensure a common vision with clear targets and the Local Area Agreement also reflects a common vision with clear targets.</p> <p>A standard Statement is being developed to be used in partnership agreements for signature by designated signatories on behalf of the partners.</p>
3.23	Publish an annual report on a timely basis to communicate the Authority's activities and achievements, its financial position and performance	<p>Annual Financial statements are produced in June and agreed by Members at Full Council and published on the Council's website.</p> <p>A formal annual report is also produced in June and agreed by Members at Full Council, to inform the community of the performance of the Authority over the previous year and set out the plans for the future.</p>

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.24 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</p>	<p>The Council has a developing performance management framework that supports the effective monitoring and management of performance.</p> <p>Objectives, targets and action plans are published in accessible formats through the Local Area Agreement and service plans and are included on the Council’s website and intranet.</p> <p>Quality of service is reflected in the service plans and these are monitored by the Modernising Local Government Group.</p> <p>The Council has implemented a performance management ICT system.</p> <p>Measures are being introduced to ensure that performance issues can be communicated and addressed across the Authority.</p> <p>Continuous improvements to the performance management framework are developing during 2009/10.</p> <p>An improved framework for Service Plans has been developed during 2008/09 to be implemented during 2009/10.</p> <p>SMART action plans to improve performance are reported to Members of the appropriate committee.</p>
<p>3.25 Put in place effective arrangements to identify and deal with failure in service delivery</p>	<p>The Council has a set of national and local performance indicators including a developing selection of agreed LAA targets.</p> <p>LAA targets are monitored through the Local Strategic Partnership and reported to Full Council.</p> <p>National and local performance indicators are monitored by the Data Quality Team and reported to Policy and Resources Committee and published annually on the Council’s website, intranet and the Audit Commission’s website.</p> <p>Full Council receives reports relating to compliments, complaints and service improvements.</p> <p>The LAA sets out the Council’s plans for improvement based on consultation, Council’s reviews, external inspections and audit, and Corporate Assessments.</p>
<p>3.26 Decide how value for money is to be considered and ensure that the Authority or partnership has the information needed to review value for money and performance effectively.</p>	<p>A Medium Term Financial Strategy (MTFS) has been approved and implemented to support the aims of the Corporate Plan.</p> <p>Efficiency gains are reflected in the MTFS and reported to Full Council.</p> <p>Service Plans reflect efficiency outcomes.</p> <p>The Corporate Procurement Strategy gives policy and objectives and is published on the website and intranet.</p> <p>The Contract Management Framework assists in maintaining efficiencies within contracts and service level agreements.</p>

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
3.27 Consider the environmental impact of policies, plans and decisions	<p>The islands were designated as an Area of Outstanding Natural Beauty in 1975.</p> <p>The Area of Outstanding Natural Beauty Management Plan contains policy and objectives, and identifies the actions or projects that will take objectives forward, highlighting the organisation responsible for carrying out projects and the timetable within which work is to be completed. This plan is reviewed on a 5 year basis.</p> <p>The AONB Management Plan also provides a supportive document for related project funding applications.</p> <p>The development of the Integrated Area Plan followed on from a major social, economic and environmental review of the Isles of Scilly and concentrates on Sustainable Environment, Sustainable Businesses and Sustainable Communities.</p> <p>The Isles of Scilly Partnership appraises and recommends projects for support under the Isles of Scilly Integrated Area Plan.</p>
3.28 Set out a clear statement of the respective roles and responsibilities of the Executive and of the Executive’s Members individually and the Authority’s approach towards putting this into practice	<p>The special nature of Scilly is reflected in its unique constitutional position. It has its own ‘Isles of Scilly Clause’, the aim of which is to try to ensure that all laws applied to the Islands are appropriate to the size and scope of the Isles of Scilly. The Clause is added to all new legislation meant to apply to the Council and omitted from all legislation not meant to apply.</p> <p>The Authority has always been non-political and is currently made up of 21 independent Members, 13 elected by St Mary’s residents and two each elected by residents of Bryher, St Martins, St Agnes and Tresco.</p> <p>The Council is an Option 4 Authority under the Local Government Act 2000 and retains a committee system consisting of ten standing committees and the statutory Council meetings.</p>
3.29 Set out a clear statement of the respective roles and responsibilities of the Authority’s Members and Senior Officers	<p>Terms of reference of powers delegated to Standing Committees sets out the areas for which individual Committees have responsibility and is contained in the Members and Officers Handbook.</p> <p>The Council’s business is transacted within a general framework of the Authority comprising statutory provisions, orders and directions, bylaws and a variety of specific resolutions by the Council and its various Committees.</p> <p>A set of principal instruments for the internal regulation of the Council’s affairs is set out in Standing Orders and reviewed periodically.</p> <p>Roles & responsibilities for Members are being defined and a statement and a set of job descriptions are being developed for Members for implementation in 2009.</p> <p>Job descriptions for Senior Officers are reviewed and updated regularly by Human Resources.</p> <p>The National Code of Local Government Conduct is contained within the Members and Officers Handbook.</p>

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.30 Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decisions of the Authority taking account of relevant legislation, and ensure that it is monitored and updated when required</p>	<p>Terms of reference of powers delegated to Standing Committees sets out the areas for which individual Committees have responsibility and is contained in the Members and Officers Handbook.</p> <p>Most functions are delegated to Committees with the exception of certain functions that are reserved for decision by Council.</p> <p>A list of functions are set out in Standing Orders.</p>
<p>3.31 Ensure the Chief Executive is responsible and accountable to the Authority for all aspects of operational management</p>	<p>Responsibility for the appointment of the Chief Executive is reserved to Council.</p> <p>The Chief Executive has overall corporate management and operational responsibility (including overall management responsibility for and authority over all Officers).</p> <p>The Chief Executive is responsible for advice to Members on strategy, policy, management and organisation and has primary responsibility for ensuring that decisions taken by Council are taken in accordance with proper processes and after full consideration of all relevant facts, circumstances and legal advice where necessary.</p> <p>The Chief Executive may include any item on the agenda of Council if necessary, having notified the Chairman, and will be given the opportunity to comment on every report submitted to a decision-making body.</p>
<p>3.32 Develop protocols to ensure that the Chairman and Chief Executive acknowledge their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</p>	<p>The developing Protocol on Member/Officer Relations gives guidance on communication between Officers and Members in their various roles, including guidance on the advice and information Members can expect from Officers.</p>
<p>3.33 Ensure the Director of Finance and Resources (section 151 Officer) is responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</p>	<p>The Director of Finance and Resources has been appointed as the Section 151 Officer and is responsible for the supervision of all accounts and financial records and the organisation of all accounting systems, in co-operation with the Chief Officers of the Council.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.34 Ensure a senior officer (other than the Responsible Finance Officer) is responsible to the Authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p>	<p>The Assistant Director of Finance and Resources is responsible for ensuring that agreed financial procedures and statutes are followed and complied with.</p> <p>Reports to Policy and Resources Committee show compliance with procedures and statutes. Any lapse is reported together with details of the corrective action taken.</p>
<p>3.35 Develop protocols to ensure effective communication between Members and Officers in their respective roles</p>	<p>A Communication Strategy has been approved by Council and took effect from December 2006.</p>
<p>3.36 Set out the terms and conditions for remuneration of Members and Officers and an effective structure for managing the process including an effective remuneration panel (if applicable)</p>	<p>The Council of the Isles of Scilly Members' Allowance Scheme took effect from 1 April 2006.</p> <p>The Members' Allowance Scheme forms part of the Members Handbook and includes sections on special responsibility allowance, part year entitlements and special responsibilities.</p> <p>An Independent Panel makes recommendations to Policy and Resources Committee.</p>
<p>3.37 Ensure that effective mechanisms exist to monitor service delivery</p>	<p>Service delivery is monitored through:</p> <ul style="list-style-type: none"> ◦ National and Local Performance Indicators ◦ Deficiencies brought to the attention of Chief Officers and Members ◦ Corporate complaints are monitored to identify weaknesses and drive improvement ◦ Employee and Chief Officer Performance Reviews ◦ Customer Satisfaction Survey
<p>3.38 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p>	<p>The Council's Vision and objectives are set out in the Sustainable Community Strategy and the Local Area Agreement and were developed through consultation with the community and partners.</p> <p>The Council's Local Area Agreement and Service Plans are published on the website</p>

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.39 When working in partnership ensure that Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Authority</p>	<p>The Council is in the process of producing a register of partners to include allocation of the roles and responsibilities of Members in relation to the partnership.</p>
<p>3.40 When working in partnership:</p> <ul style="list-style-type: none"> ◦ ensure that there is clarity about the legal status of the partnership ◦ ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions. 	<p>The Council is in the process of producing a register of partners, including resource responsibility and governance arrangements.</p> <p>Co-opted Members are required to sign an agreement on legal duties and responsibilities.</p>
<p>3.41 Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect</p>	<p>The Member and Officer induction programme promotes openness, support and respect and is formalised within the Members and Officers Handbook.</p> <p>Values of good governance are emphasised in the training programme for Members and Officers.</p>
<p>3.42 Ensure that standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols</p>	<p>The Authority develops and maintains good standards of conduct for both the Members, Officers and its employees and stakeholders.</p> <p>Employees are provided with a handbook containing a number of codes of conduct, including disciplinary procedures, equal opportunities, fraud and corruption, grievance procedures and internet and e-mail policy.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
3.43 Schedule arrangements to ensure that Members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	Equality and Diversity training has taken place for Members and staff to ensure the Authority is not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.
3.44 Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with Members, staff, the community and partners	<p>Members and Officers values are set out in the Sustainable Community Strategy that supports the objectives and is underpinned by the Local Area Agreement, reflecting the community's expectations.</p> <p>Policies and plans are communicated through Council meetings, partnership meetings, the Council website and intranet and via newsletters to the community.</p>
3.45 Schedule arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	<p>The developing protocol for Member/Officer relations will ensure that processes are operated in an effective, appropriate and ethical manner.</p> <p>National and local measures are in place to safeguard against unfair bias, prejudice or conflicts of interest.</p> <p>The Chief Executive has been designated as the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations.</p> <p>The Monitoring Officer reports to Members should any proposal, decision or omission give rise to unlawfulness or maladministration.</p> <p>The Standards Committee meets at least three times per year.</p>
3.46 Develop and maintain an effective Standards Committee	<p>The Standards Committee includes three Members of the Council plus two independent Members with voting rights, one of the independent Members serving as the Chairman.</p> <p>The Standards Committee meets at least three times per year.</p>
3.47 Use the organisations shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority	<p>The Code of Conduct and Planning Protocol within the Members and Officers handbook ensures that Members and Officers know what is expected of them.</p> <p>The shared values of the Members and Officers are demonstrated by the positive attitudes and trusting relationships within the Authority and the decision making processes.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.48 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively</p>	<p>The Council is considering a way forward in respect of an agreed set of values for partnership arrangements.</p>
<p>3.49 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible</p>	<p>Full Council is the scrutinising body and provides overall direction to the organisation and satisfies reasonable expectations of accountability.</p> <p>Council meetings are open to the public with the exception of confidential or personal matters being disclosed.</p> <p>Councillors are made aware of significant policy related proposals and service reviews through reports taken to the appropriate committee. Councillors have the opportunity to discuss and challenge the performance of the Council.</p>
<p>3.50 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based</p>	<p>All meetings are open to the public with the exception of confidential or personal matters being disclosed.</p> <p>Major meetings are web cast for those who cannot attend the meeting or wish to view the decisions at a later time.</p>
<p>3.51 Arrangements are put in place to safeguard Members and employees against conflicts of interest and appropriate processes are put in place to ensure that they continue to operate in practice</p>	<p>Members register their interests as defined in the Members' Code of Conduct approved at Annual Council.</p> <p>Officers and employees register their interests as defined in the Officers Code of Conduct approved at Full Council.</p> <p>Members and Officers declare a personal or prejudicial interest at the start of each meeting in any discussions involving a matter in which they have an interest, and again as the matter falls to be discussed.</p> <p>Induction training for Members and Officers reinforces the rules on conflicts of interest.</p> <p>The Monitoring Officer may be approached for advice on conflicts of interest.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
3.52 Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee	The Council has a Policy and Resources Committee that has delegated powers from Full Council and sits at least three times per year. The Policy and Resources Committee consists of the Chairman of each standing committee, with the exception of Standards and Licensing committees and any select committee.
3.53 Effective, transparent and accessible arrangements are put in place for dealing with complaints	Procedures for complaints are publicised on the website and forms are available on the website, in the Town Hall reception and on request. The Chief Executive has been designated as the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. The Monitoring Officer reports to Members should any proposal, decision or omission give rise to unlawfulness or maladministration.
3.54 Ensure that those making decisions, whether for the Authority or partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	All reports to Members are required to include justification for the proposed action with environmental impact, financial, legal, crime and disorder, best value and community health implications. Reports are sent to decision makers with the agenda of the meeting on a timely basis.
3.55 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	Professional opinion where appropriate is sought and implications are included on every report sent to Members prior to each committee meeting.

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.56 Ensure that risk management is embedded into the culture of the organisation , with Members and managers at all levels recognising that risk management is part of their job</p>	<p>The Council has implemented a new framework for risk management.</p> <p>The Corporate Risk Management Strategy has been approved by Council and is communicated to all Members and employees and is published on the internet and intranet.</p> <p>Risk management is embedded in the activity of the Authority through the business plan, service planning and contract management stages. A Corporate Risk Register identifies the benefits of active risk management.</p> <p>The process for ongoing risk management is the responsibility of the Strategic Management Team and Chief Officers.</p> <p>The Modernising Local Government Group has the role of the co-ordination of risk management throughout the Authority and is responsible for reviewing Strategic and Departmental Risk Registers and Strategies and disseminating best practice across the Authority.</p> <p>Departmental Risk Registers linked to service plans have been implemented to identify risk management at a departmental level and are the responsibility of the Service Managers.</p> <p>The Council has developed a programme of risk management training for relevant staff and Members on assessing, managing and monitoring risk.</p> <p>A corporate approach to risk management to identify and evaluate risk is disseminated to staff at induction and awareness sessions.</p> <p>Project and Contract Managers are aware of the risks in partnership working and risk assessments are undertaken before commencement of major projects and reviewed and reported on a regular basis.</p>
<p>3.57 Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the Authority have access</p>	<p>Communication of internal control processes to staff forms part of the staff induction process and includes Confidential Reporting, Managing Financial Irregularities (whistle-blowing) and Code of Conduct policies.</p>
<p>3.58 Actively recognise the limits of lawful activity placed on Members and Officers by, for example the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities</p>	<p>A programme of awareness training for Members and existing staff was developed during 2008, and is included in induction training.</p> <p>Issues of vires are dealt with by early involvement of the Council's legal advisors in all major projects to ensure a lawful solution for the benefit of the community.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
3.59 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	Early involvement of the Council's legal advisors in all major issues to ensure a lawful solution for the benefit of the community.
3.60 Observe all specific legislative requirements placed upon Members and Officers, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes	<p>Early involvement of the Council's legal advisors in all major issues to ensure a lawful solution for the benefit of the community.</p> <p>Each report to Committee informs Members of whether legal advice is necessary and the results of that advice if sought.</p>
3.61 Provide induction programmes tailored to individual needs and opportunities for Members and Officers to update their knowledge on a regular basis	<p>All new Councillors and Officers are offered an induction programme to give information on their basic rights, roles and responsibilities and how the Council works.</p> <p>Induction information is to be found within the Members and Officers Handbook.</p> <p>The ongoing training programme for Members and Officers is monitored and arranged through the Modernising Local Government Group and offers up to date knowledge through in-house seminars and training workshops and external courses and conferences.</p>
3.62 Ensure that the statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation	<p>The Council has a Chief Officer Performance and Development Programme that offers the opportunity for each Officer to participate in a performance related interview on a regular basis, with the primary purpose of agreeing individual work targets that relate to the delivery of services to the Community and to discuss the skills and support needed to perform those tasks.</p> <p>Quarterly Service Managers Meetings are being developed as part of the Performance Management improvements to assist in the awareness of the Council's corporate values and assist learning of new starters and improve senior management visibility.</p> <p>Information is passed on from the Quarterly meetings to the departments by Service Managers.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.63 Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be carried out effectively</p>	<p>Learning and development needs are established at induction to influence future development and influence the range of activities to be offered.</p> <p>As part of the ongoing training programme and following consultation with Members, the Modernising Local Government Group examines the needs of the Members and considers and arranges the activities to be offered.</p>
<p>3.64 Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</p>	<p>The Council is aware that it's most important resource is the staff that delivers the services to the community. To provide a quality service to all residents and visitors, an effective staff performance and development programme is necessary to improve and maintain quality services.</p> <p>Each member of staff is required to participate in a performance related interview on a regular basis, with the primary purpose of agreeing individual work targets that relate to the delivery of their Departmental Service Plan that arises from both the Sustainable Community Strategy and the Local Area Agreement.</p> <p>The Staff Performance and Development Programme encourages staff to analyse, scrutinise and challenge, and to recognise the need for expert advice through discussions on a one to one basis with their line manager or Chief Officer.</p> <p>Members, Officers and staff effect learning and development through access to the intranet, e-learning, training courses, workshops, Members' seminars and conferences, mentoring and peer support.</p> <p>Some training sessions and workshops held in the Council Chamber are recorded on the web-casting facility for those staff and Members who are unable to attend at the time of the session.</p>
<p>3.65 Ensure that effective arrangements are in place for reviewing the performance of the Authority as a whole and agreeing an action plan which might for example aim to address any training or development needs</p>	<p>The Council's performance is reviewed during strategic planning, effected through the Modernising Local Government Group.</p> <p>A Performance Management Group has been established to develop an improved Performance Monitoring and Development system for staff, to be implemented during 2009/10.</p> <p>Performance indicators are monitored by the Modernising Local Government Group and action plans are agreed to address needs gaps.</p> <p>Individual Members are encouraged to identify needs for development, although there is no formal process for reviewing individual Members.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.66 Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority are in place</p>	<p>Information leaflets are distributed throughout the community prior to elections and by-elections to encourage individuals from the community to contribute to the work of the Council</p> <p>Individuals are encouraged to participate in the work of the Council through extensive consultation on plans and strategies such as the Sustainable Community Plan and the Local Area Agreement.</p> <p>The Local Strategic Partnership has been formed by encouraging the community to be involved and has the active involvement of young people within the partnership.</p> <p>The ‘Council Calendar’, ‘News’ and ‘What’s on’, on the Council website, informs the community of forthcoming meetings, events and items in which the community is able to participate.</p> <p>Members of the community are encouraged to become co-opted Members, with voting rights, and advisors for certain Council Committee meetings.</p>
<p>3.67 Ensure that career structures are in place for Members and Officers to encourage participation and development</p>	<p>Members are encouraged to use their skills in progressing to Chairman or Vice-Chairman of individual Committees with ultimate progression to Chairman or Vice-Chairman of the Council.</p> <p>Every opportunity is taken to progress a career structure within the Council of the Isles of Scilly; vacancies are advertised internally prior to publication on the Council’s website and external notice boards, to encourage progression internally.</p> <p>Staff are responsible for progressing their own development and are encouraged to participate in training courses and workshops to progress their career and advance their capacity and capabilities to work within the Council setting.</p> <p>A variety of training courses and workshops are offered to Members and Officers in a wide range of subjects areas such as Prince2, IT, Management, Risk, Procurement, Modernising Local Government, Service Planning and more.</p>
<p>3.68 Make clear to Members, Officers and the community, to whom they are accountable and for what</p>	<p>The Council’s vision, priorities and values are published in the Sustainable Community Strategy, Local Area Agreement and Service Plans. These include performance targets.</p> <p>The Council’s Standing Orders and Financial Regulations inform Members and Officers of their obligations and processes.</p>
<p>3.69 Consider those institutional stakeholders to whom the Authority is accountable and assess the effectiveness of the relationships and any changes required</p>	<p>Arrangements are to be reviewed for the content and publication of the annual report on the work of stakeholder committees and consider whether it should be given a higher profile.</p>

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<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
3.70 Produce an annual report on scrutiny function activity	An Annual Report (Lighthouse) is being developed to be produced in June/July, to inform the community of the performance of the Authority over the previous year and set out the plans for the future.
3.71 Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively	<p>The Communication Strategy ensures the Council communicates clearly, openly and regularly with the public, partners and with each other to promote a high level of mutual understanding and to facilitate a better service to the island community.</p> <p>The Communication Strategy is a standing item on the agenda of the Policy and Resources Committee and Members report progress at each meeting with an annual review of Strategy.</p> <p>The Communication Strategy is a key tool in ensuring the Authority's successful delivery of our vision statement.</p> <p>The Council Committee Calendar is published on the Council website and agendas, minutes and reports may be downloaded.</p> <p>News, policies and information for the public and staff are to be found on the website and the developing intranet will inform staff of up to date information.</p> <p>The public are able to view various Council meetings that are web-cast for those who are unable to attend the Council Chamber in person. The web-casts are recorded and can be downloaded for those who are unable to watch the meeting at the allocated time.</p> <p>Where there is expected to be a large public interest, the meetings are web-cast in the Town Hall for those who do not have internet access.</p> <p>Staff newsletters are distributed to all staff on a monthly basis.</p> <p>A bi-monthly 'Lighthouse' newsletter is available at various distribution centres to inform the public and stakeholders of recent events and up to date information.</p>
3.72 Hold meetings in public unless there are good reasons for confidentiality	Council meetings are open to the public with the exception of 'exempt and confidential information' for which the public is asked to leave the Council Chamber.

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.73 Ensure arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p>	<p>The Communication Strategy and the Local Area Agreement aim to ensure that the island community is well informed and is involved in consultation to influence what happens on the islands.</p> <p>The public is able to view various Council meetings that are web-cast for those who are unable to attend the Council Chamber in person. The web-casts are recorded and can be downloaded for those who are unable to watch the meeting at the allocated time.</p> <p>Where there is expected to be a large public interest, the meetings are web-cast to a large screen in the Town Hall for those who do not have internet access.</p> <p>Community Strategy leaflets are distributed throughout the islands to every household.</p> <p>Council meetings are arranged in the mornings during winter and evenings during the summer to enable off-island participation.</p> <p>Booklets are produced for local access information and are distributed to migrant and seasonal workers. These workers also receive a welcome talk from the Community Safety Officer and the Community Police Support Officer.</p> <p>The Council has published pages in the Cornwall and IOS Migrant Worker book June 2008-10.</p> <p>Strategies and Policies can be produced in alternative formats, such as Braille, audio or alternative languages, on request.</p> <p>A written or oral translation service is available on request.</p> <p>Review questionnaire to Migrant and Seasonal workers informs the Council of difficulties and the response to the services provided.</p> <p>Disability equality consultation has been sent to all residents within the last year to enable the Disability Equality Scheme to incorporate where reasonably practicable the community's access requirements regarding disability.</p>
<p>3.74 Establish a clear policy on the types of issues the Authority will meaningfully consult on or engage with the public and service users including a feedback mechanism for those consultees to demonstrate what has changed as a result</p>	<p>Consultation is an integral part of any large project plan.</p> <p>Results of consultations are communicated to the public via the website and publications to inform of the influence the consultation has had on the project.</p> <p>The public are encouraged to give comments, compliments and complaints in order for the Members and Officers to achieve a greater understanding of the views of residents and visitors.</p> <p>When faced with a decision making situation, the comments, compliments and complaints from the public assist Members who are more able to respond to conflicting views of residents and take into consideration other influencing factors such as resources, statutory requirements and partner organisation's views.</p>

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
<p>3.75 Publish a performance plan on an annual basis giving information on the Authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</p>	<p>The Council's vision, priorities and values are published in the Sustainable Community Strategy, Local Area Agreement and Service Plans. These include performance targets.</p> <p>Financial Statements are published on the website annually, including the Annual Governance Statement.</p> <p>Outcomes and achievements are to be communicated to the public and stakeholders in the Annual Report (Lighthouse).</p>
<p>3.76 Ensure that the Authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</p>	<p>The Communication Strategy ensures the Council communicates clearly, openly and regularly with the public, partners and with each other to promote a high level of mutual understanding and facilitate a better service to the island community.</p> <p>The Council website includes the Council Calendar of meetings where agendas, minutes and reports may be downloaded together with community news, council policies and information for the public.</p> <p>Staff have access to all policies and strategies on the website and intranet.</p> <p>Quarterly meetings are to be re-established as part of the improvements of the Performance Management Group to ensure information is exchanged and updated upward and Service Managers share the information downwards to the staff in their respective departments.</p> <p>The public are able to view various Council meetings that are web-cast for those who are unable to attend the Council Chamber in person. The web-casts are recorded and can be downloaded for those who are unable to watch the meeting at the allocated time. Where there is expected to be a large public interest, the meetings are web-cast in the Town Hall for those who do not have internet access.</p> <p>The public are able to access information held by the Council under the terms of the Freedom of Information Act 2000 through Central Services.</p> <p>The Local Standards Committee make an initial assessment of misconduct allegations.</p> <p>Staff newsletters are distributed to all staff on a regular basis and a bi-monthly 'Lighthouse' newsletter is available at various distribution centres to inform the public and stakeholders of recent events and up to date information.</p>

The Six Core Principles of Governance

<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
3.77 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	<p>Consultation with staff forms part of the Communication Strategy and is published on the Council website and intranet.</p> <p>Staff are encouraged to participate in decision-making and problem solving through meetings and surveys.</p> <p>A Staff Mediation Service provides assistance and is available to all staff.</p> <p>The Council works in partnership with the Trade Unions and a representative is on hand to assist staff with queries and advice.</p> <p>Human Resources meet representatives of the Trade Union on a monthly basis and information is passed on to staff via the Trade Union representatives.</p>

No	<i>Element of Governance</i>
Principal Risks to Achievement of Objectives	
3.78	<p>The Risk Management Strategy has the full support of the Councillors and Corporate Management Team and has been approved by Senior Members.</p> <p>All relevant Staff, Members and partners are made aware of the Risk Management Strategy through Council meetings and workshops. The strategy is accessible to staff, Members and the public on the Council's website and intranet.</p> <p>Reviews of the risk management process are undertaken by the Modernising Local Government Group.</p>
3.79	<p>The Council has systems and processes in place for the identification and management of strategic and operational risk.</p> <p>The process for ongoing risk management is the responsibility of the Strategic Management Team and Chief Officers. Principal Risks are monitored by the Strategic Management Team at least quarterly.</p> <p>Risk management is embedded in the activity of the Authority through the business plan and service planning stages.</p> <p>The Chairman of Policy and Resources Committee has the role of Member Risk Champion; the Strategic Development Officer has the role of Officer Risk Champion. The Corporate Governance Lead is the designated officer for Risk Management.</p> <p>The Risk Management Strategy contains clear definitions of the roles and responsibilities for risk identification, management and reporting throughout the Authority, including Internal Audit, Project Managers and partners.</p>
3.80	<p>The Council has developed a programme of risk management training for relevant staff and Members on assessing, management and monitoring of risk. A corporate approach to risk management to identify and evaluate risk is disseminated to staff at induction and awareness sessions.</p> <p>A Guide to Risk Management setting out the framework for risk analysis has been approved and communicated via the intranet and workshops.</p>

No	<i>Element of Governance</i>
3.81	<p>The Authority's framework for risk analysis, recording and reporting risk is well defined within the Guide to Risk Management. The framework is communicated to all staff and stakeholders via the intranet and workshops.</p> <p>A Corporate Risk Register identifies the benefits of active risk management at a strategic level; Departmental Risk Registers linked to service plans are being implemented to identify risk management at the operational level.</p>
3.82	<p>The Authority has an arrangement for financing risk, including requirements for insurance being met and monitoring of incidents of claims and reporting the results of those claims. Periodic reviews of all insurances are the responsibility of the Chief Officers.</p>
3.83	<p>Following the approval and adoption of the new risk management framework in July 2007, and in order to meet objectives set out in the Risk Management Strategy, a programme of training workshops took place for Chief Officers and Service Managers. Further training workshops are to take place during 2009 for Members and remaining staff. New staff and partners receive induction training.</p> <p>Evaluation of the workshop sessions has shown that the updated framework has improved the understanding of the approach to Risk Management and the perception of its importance through all levels of the Authority.</p>
3.84	<p>The Modernising Local Government Group has the role of overall co-ordination of risk management throughout the Authority.</p> <p>Reviews of the risk management process are undertaken by the Modernising Local Government Group, including procedures for recording and reporting risk, identifying areas of overlapping risk, reviewing risk training and reviewing risk registers. Changes are reported to Members and Management. Following the reviews, improvements to the process have been implemented.</p> <p>The Modernising Local Government Group reviews the Corporate and Departmental risk registers at least twice annually. The Strategic Management Team monitors principal risks at least quarterly.</p>
3.85	<p>The Corporate Governance Lead is the designated officer for Risk Management with the role of management and implementation of the risk management framework, strategy and process on behalf of the Council. Responsibilities include providing the Council with guidance, advice and support on risk management, managing the performance of the risk management process and reporting on the effectiveness and implementation of the strategy, supporting the risk champions in delivering their role and ensuring all appropriate staff are adequately trained in risk management and risk assessment techniques.</p>
3.86	<p>The Risk Management Strategy defines the role of the Service Managers for ensuring staff are aware of risk management and their roles within the organisational structure. Service Managers' responsibilities include communicating the corporate approach to risk management to staff, identifying training needs of staff and reporting these to the Corporate Governance Lead, seeking clarification on corporate risk requirements from the Corporate Governance Lead and passing on the information to all staff, and supporting the Corporate Governance Lead and Officer Risk Champion in their role by facilitating the effective operation of the risk management within their department.</p>
3.87	<p>Risk management is embedded into the Authority's business systems to ensure that risk management is an intrinsic part of the way business is conducted and is a part of the corporate planning process linked to business continuity and performance management. At all levels, the levels of activity support each other, are led from the top and are part of the normal working routines and activities of the organisation. Training is planned to ensure that all staff are aware of the relevance of risk to the achievement of their objectives.</p>

No	Element of Governance
3.88	<p>Project Managers and partners are made aware of the risks in partnership working and risk assessments are undertaken before commencement of major projects and are reviewed and reported on a regular basis.</p> <p>The Contract Management Framework assists in identifying risks of partnership working and to identify risks associated with the project.</p>
Controls to Manage Principal Risks	
3.89	<p>The Authority has systems and procedures to mitigate principal risks. The Council of the Isles of Scilly has adopted CIPFA's "Code for Treasury Management in Local Authorities". Management of investments is the responsibility of the Director of Finance and Resources under the direction of the Policy and Resources Committee and at all times follows the principles laid down in CIPFA's "Code of Guidance on Treasury Management for Local Authorities". The Prudential Indicators continue to be considered to ensure compliance with the Prudential Code.</p> <p>Financial Regulations contained within the Council's Handbook set out the overall framework that governs the management of the Council's finances.</p>
3.90	<p>The Council's Standing Orders have been formally adopted, are contained within the Council's Handbook, and are reviewed periodically and communicated to all staff via the internet and intranet.</p>
3.91	<p>Communication of internal control processes to staff forms part of the staff induction process and includes Confidential Reporting, Managing Financial Irregularities (whistle-blowing) and Code of Conduct policies. These policies are reviewed periodically and communicated to all staff.</p>
3.92	<p>The Council's Anti Fraud and Corruption Policy has been adopted and is widely communicated to all staff and the public via the Council's website and intranet.</p> <p>A Register of gifts and hospitality is maintained, reviewed and updated annually.</p>
3.93	<p>A Code of Conduct has been formally adopted and is communicated to staff as part of the staff induction process. The Code of Conduct policy is reviewed periodically and communicated to all staff via the intranet.</p>
3.94	<p>A Register of Interests, identifying the declarable interests of Members and Officers in relation to community and life interests, is reviewed and updated annually.</p>
3.95	<p>The Council is developing a Scheme of Delegation that incorporates adequate controls and sanctions to be approved and adopted by Council.</p>
3.96	<p>A Corporate Procurement Strategy has been formally approved and widely communicated to staff and stakeholders via the Council's website and intranet. The procurement policy is reviewed and updated regularly to take account of new initiatives.</p> <p>A Procurement Guide, for those staff dealing with procurement, has been produced and approved by Members and is published on the intranet. The Guide is reviewed on a regular basis.</p> <p>A Contract management Framework has been produced in order to monitor service level agreements and contracts from introduction to the end of the contract, and is published on the intranet.</p>
3.97	<p>A framework for the delivery of the Authority's Business Continuity Programme has been agreed and the initial stage completed. The Council lists over 100 services provided to the community and a review of these has resulted in the production of a Corporate Critical Services Priority Report. Business Impact Analyses are currently being conducted for the most critical of these services.</p>

No	<i>Element of Governance</i>
3.98	<p>The Corporate Risk Register identifies, addresses and monitors principal risks. Departmental Risk Registers identify risks from the Service Plan objectives and address and monitor these risks.</p> <p>Risk owners are assigned to each risk in order for the principal risks to be managed and controlled.</p> <p>Risk Management workshops have taken place for Chief Officers and Service Managers to underpin the principles of the Authority's Risk Management Framework. Further workshops are planned for staff and Members during 2009.</p>
3.99	<p>All risk registers are reviewed by Service Managers and monitored by the Modernising Local Government Group at least twice annually.</p>
3.100	<p>The Internal Control framework is subject to regular assessment and is planned to be developed further in 2009/10. The Council has an objective and professional relationship with external auditors and statutory inspectors.</p>
3.101	<p>The corporate Health and Safety policy has been formally approved. An updated policy has been approved by Council and is to go to consultation prior to final approval. Following final approval, this is to be communicated to all relevant staff via the Council's website and intranet.</p>
3.102	<p>A corporate complaints procedure has been formally approved. Members of the public and other stakeholders are made aware of the complaints procedure and policy in operation by leaflet distribution and are included on the Council's website and intranet.</p> <p>The public is able to register their dissatisfaction with services of the Council or its staff via the complaints procedure that can be accessed on the website or by hard copy from the Town Hall. The Ombudsman can also be contacted through the complaints system.</p>

4. Review of Effectiveness

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

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is:

No	<i>Effectiveness of controls</i>
4.1	<p>The responsibility for maintaining and reviewing the system of internal control rests with the Authority.</p> <p>Internal Audit reviews internal controls in operation within each service area. External sources of assurance are received from such agencies as the Audit Commission, OfSTED, and other agencies relevant to the Authority.</p>
4.2	<p>Key controls are identified within the Annual Governance Statement and progress reports including examples of assurances and evidence are sent to Chief Officers and relevant Service Managers to give guidance on monitoring the internal controls within their service area.</p>

- 4.3 The Annual Governance Statement and progress reports, including examples of assurances and evidence and actual evidence of supporting documentation, are evaluated by the Strategic Management Team and reported to the Policy and Resources committee at least twice per year.

Chief Officers and relevant Service Managers have the opportunity to review the controls and provide assurance statements at the end of the financial year.

- 4.4 External assurance reports are agreed and reviewed by Senior Management and action plans are prepared as appropriate. Reports are taken to the relevant committee and progress on recommendations is reported as appropriate.

- 4.5 Internal Audit reviews internal controls against known and evolving risks. Actions are planned and reported to Internal Audit. Reports including any recommendations are taken to the appropriate committee.

- 4.6 A monitoring system for obtaining and evaluating assurances of internal control by the assigned person is in place. Internal and External audit reports are received and reviewed by Chief Officers and Heads of Department.

- 4.7 The Modernising Local Government Group meets on a regular basis to review progress on performance indicators and risk management.

Evidence is provided by Service Providers to ensure accuracy of the indicators and is monitored annually. Reports are taken to the relevant committee.

A Performance Management Group has been established and meets monthly to improve the Council's performance monitoring and management arrangements.

A review of the progress of the internal controls during 2008 revealed a gap in the reporting of risk. Improvements have been made to the framework and this has been implemented during 2009.

The Contract Management Framework was implemented during 2008 and has assisted in ensuring all parties to a contract meet their obligations to deliver the objectives required from the contract and achieve value for money. Risks are identified by all parties early in the relationship and continued monitoring and review takes place during each year.

- 4.8 Responsibilities for evaluation of assurances are stated within the Communication sections of the Risk Strategy and the Local Code of Governance and are to be found on the Council's website and intranet.

- 4.9 Comprehensive arrangements have been put in place to ensure the timely closedown and production of financial statements is maintained for future years.

- 4.10 Significant improvements have been made in the budget setting process, with Members and Officers fully involved. The Council has moved strongly to a balanced budget position and is strengthening monitoring and reforecasting processes.

- 4.11 The Council has a rolling programme of Condition and Suitability surveys of all Council Assets. This work is part of a five year rolling assessment and maintenance programme. The survey provides structural information to enable the Council to better assess need in the event of future funding applications and to effectively develop long term plans for the configuration of Council facilities as evidenced by the recent extension and refurbishment of parts of the Town Hall.

In addition, the Council is also preparing a master plan to guide the regeneration of Porthcressa, which contains a number of Council assets including the Town Hall, Porthcressa Shelter, the Registration Office and the Library.

We (the Council and the Chief Executive) have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Authority, the Chief Officers, Internal Audit and external review, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Governance Issues

The following significant internal control issues have been identified:

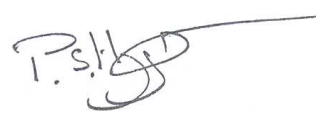
No	Issue	Action Required
5.1	Improvements are required with the current HR strategy to ensure it links to organisational development and the business needs of the organisation, including improvements in succession planning to ensure effective plans for future staffing needs.	Following the appointment of a new HR team, the HR strategy is currently being reviewed and previously identified priorities are being addressed.
5.2	Improvements are required in the approach to production of asset management strategy and arrangements for effective management of the asset base.	Improvements to the asset management strategy and the rolling programme of assessment and maintenance are expected to take place during 2009/10

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.



Chairman of Council

Date: 29th September 2009



Chief Executive

Date: 30th September 2009

Independent auditor's report to the Members of the Council of the Isles of Scilly

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of the Council of the Isles of Scilly for the year ended 31 March 2009 under the Audit Commission Act 1998. The 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 Housing Revenue Account, the Collection Fund and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement 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 the Council of the Isles of Scilly in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and Resources and auditor

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

My responsibility is to audit the 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, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

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

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is

misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword only. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the 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 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 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 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 accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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 other local government bodies. 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. In doing so I identified the following:

- the use of performance information to manage and improve the delivery of services is not yet fully embedded across the Council although action is being taken to strengthen the Council's performance management arrangements in response to our performance management report issued in February 2009;
- further work is required to develop a strategy and overall approach to management of the Council's asset base; this will be carried out as a specific project once the necessary resources are available.

For the reasons set out above, and having regard to the criteria for other local government bodies specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, the Council of the Isles of Scilly made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, except that it did not put in place adequate arrangements for:

- producing relevant and reliable data and information to support decision making and manage performance;
- managing its assets effectively to help deliver its strategic priorities and service needs.

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.

P Jarvis

Patrick Jarvis
District Auditor

Audit Commission,

Collins House,

Bishopstoke Road,

Eastleigh, HAMPSHIRE SO50 6AD

30 September 2009