



Statement of Accounts 2007/08

Council of the Isles of Scilly

... a strong, sustainable and dynamic island community



2007/08 Statement of Accounts
Council of the Isles of Scilly
Hugh Town
St Marys, Isles of Scilly
TR21 0LW

Contents

Explanatory Foreword.....	4
Statement of Accounting Policies.....	7
Statement of Responsibilities and Certification of the Statement of Accounts	14
Income & Expenditure Account	15
Statement of Movement on General Fund Balances.....	16
Statement of Total Recognised Gains and Losses.....	16
Balance Sheet	17
Cash Flow Statement.....	18
Notes to the Financial Statements.....	19
Housing Revenue Income and Expenditure Account.....	35
Collection Fund	36
Notes to the Supplementary Financial Statements	37
Annual Governance Statement for 2007/08.....	41
Auditor’s Report and Opinion.....	66

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 2007/2008 are set out in the pages that follow. They consist of:

- Income and Expenditure Account (I&E) (page 15) - a summary of resources generated and utilised by the Council in the year.
- Statement of Movement on the General Fund Balance (page 16) - a reconciliation showing how the balance of resources generated/utilised in the year links in with the statutory requirements for raising Council Tax.
- Statement of Total Recognised Gains and Losses (page 16) - demonstration of how the movement in the net worth in the Balance Sheet is reconciled to the Income & Expenditure Account surplus/deficit and to other unrealised gains and losses.
- Balance Sheet (page 17) - analyses the end of year financial position of the Council by outlining its assets, liabilities and net worth.
- Cash Flow Statement (page 18) - shows all the sources of cash for the year and also how cash was disbursed.
- Housing Revenue Account (HRA) Income and Expenditure Account (page 35) - shows in more detail the income and expenditure on HRA services.
- Statement of Movement on the HRA Balance (page 35) - 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 36) - 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.

2007/2008 Revenue Expenditure

Details of the Authority's revenue expenditure for the year are provided in the Income and Expenditure Account on page 15. 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:

	2007/2008		
	Approved Budget	Actual	Variance
	£000's	£000's	£000's
Community Services	932	570	362
Children & Young People	304	428	(124)
General Purposes	1,251	1,111	140
Health Scrutiny	4	3	1
Licensing	14	0	14
Planning & Development	218	139	79
Policy and Resources	1,273	969	304
Sea Fisheries	9	11	(2)
Standards	3	3	0
Tourism	103	105	(2)
Transport Strategy Select	13	13	0
Net Expenditure as per I&E Account	4,124	3,352	772

The Net Cost of Services variance position for the Council is £772,000. This is largely attributable to the success of Officers of the Council in securing grant funding. This is included in the net cost of services as grant income and deferred grant credits. There has also been a considerable underspend across a broad range of budgets due to the renegotiation of the electricity contract to a considerably reduced rate. Other budgets have seen underspends resulting from the reversal of provisions and creditor sums established in previous years to meet anticipated costs.

The Council received Revenue Support Grant of £266,000 in 2007/08. The funding for education was separately allocated to the Council and totalled £2.487 million. Further details are included in Note 32, page 33, of the notes to the core financial statements. Revenue balances stand at £4.980 million at the year end, of which £3.394 million is set aside for specific purposes. This compares with £4.472 million at the end of 2006/07 of which £3.096 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, Earmarked Reserves and the School's balances. 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.

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 County Council. The Council of the Isles of Scilly pension liability stands at £1.118 million which is significant; however, the deficit has reduced by some £329,000 during this financial year and will continue to be made good by increased contributions over the remaining working life of our employees, as assessed by the actuary. 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 a £1,000 contribution to the HRA reserves this year.

The Council has made significant progress against the 2007/08 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.

The success of the Council and its partners during 2006/07 in increasing the number of housing units available for rental has continued into 2007/08 with 6 additional units becoming available and plans being formalised for further units on three of the off-islands.

Capital Expenditure

The Council was successful in implementing a capital programme of £892,000 for 2007/08, largely due to securing grant funding for significant projects such as a Multi Use Games Area. The actual expenditure in 2007/08 was £388,000 (£513,000 in 2006/2007). Some schemes have been delayed due to planning applications and tender allocation. It is anticipated that, for those schemes where slippage has occurred, funding will be rolled into 2008/09 following Members' approval. The capital programme was funded principally by Government Supported Capital Expenditure (SCER) (40%) and Grants (29%). 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. The main areas to receive investment were the Council's housing stock and the Five Islands School.

2006/07 £000's		2007/08 £000's
83	Airport - Non directional beacon	13
130	Children & Young People - Five Islands School	138
0	Community Services - Park House	18
45	Fire & Rescue Service - Vehicle replacement	29
126	General Purposes - Vehicle replacement	54
22	Housing & Corporate Property - Housing stock	119
36	Policy and Resources - Town Hall	14
71	Water & Sewerage - Off Island toilets (St Agnes)	3
513	Total	388

Conclusion

2007/08 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 have been sought wherever possible. This will continue to be the case for the future as the Council strives to meet its ambitious objectives for the Islands' communities together with its partner agencies.

The accounts have been produced on schedule in accordance with the statutory deadlines despite further significant technical changes, particularly in respect of Fixed Assets. 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 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 2007/08 financial year and its position at the year end of 31 March 2008. It has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2007 - 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 a court case 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 be included in 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 revenue 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 County 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 three 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.

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 the 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:

- the loss being charged to the relevant service revenue account (where attributable to the clear consumption of economic benefits)
- the loss being 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 in all other circumstances.

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 charged 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 - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer - currently between 0 - 10 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.

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. Deferred Charges

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

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 SSAP17 - 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 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 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 2007/08.

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 financial 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 or

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 or 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 Council's Statement of Accounts so as to present fairly the financial position at the accounting date, and its income and expenditure for the year;
- Making reasonable and prudent judgments and estimates;
- Complying in all material aspects with the Code of Practice on Local Authority Accounting in the United Kingdom and applying accounting policies consistently;
- Keeping proper, up to date accounting records;
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for:

Securing appropriate arrangements for the proper administration of its financial affairs ensuring that the nominated officer, namely the Director of Finance & Resources, has responsibility for them.

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 2008, and its income and expenditure for the year then ended.

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



Peter Lawrence - Director of Finance & Resources

Date: 25.09.08

by the Chairman of the Council

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



Christine Savill - Chairman of Council

Date: 25.09.08

Further information

Further information about these accounts is available from the Finance & Resources Department, Council of the Isles of Scilly, Town Hall, 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.

2006/07 Net Expenditure £000's		2007/08			Note
		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's	
130	Central Services	563	(549)	14	
817	Cultural, Environmental & Planning Services	2,735	(1,792)	943	
311	Children's & Education Services	3,644	(3,216)	428	
353	Fire & Rescue Services	388	(39)	349	
133	Highways, Roads & Transport Services	144	(4)	140	
89	Housing Services	947	(845)	102	
572	Social Services	742	(280)	462	
760	Corporate & Democratic Core	2,492	(1,647)	845	
	Non Distributed Costs	69	0	69	
3,165	Net Cost of Services	11,724	(8,372)	3,352	23
	95 (Gain)/Loss on disposal of fixed assets			0	
	(37) (Surplus)/Deficit on trading services			(236)	2
	88 Interest payable and similar charges			98	
	(110) Interest and investment income			(194)	
	(24) Pensions interest costs and expected return on pension assets			(56)	27
3,177	Net Operating Expenditure			2,964	
	(1,098) Demand on the Collection Fund			(1,160)	
	(269) Revenue Support Grant			(266)	
	(1,391) Non-Domestic Rates			(1,587)	
419	Net (Surplus)/ Deficit for the year			(49)	

Statement of Movement on General Fund Balances

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

2006/07 £000's	2007/08 £000's	Note
419 (Surplus)/ Deficit for the year on the Income and Expenditure Account	(49)	
Net additional amount required by statute and non-statutory proper (415) practices to be debited or credited to the General Fund (Council Fund) balance for the year	(112)	1
4 (Increase)/ Decrease in General Fund (Council Fund) balance for the year	(161)	
(1,249) General Fund (Council Fund) Balance brought forward	(1,245)	24
(1,245) General Fund (Council Fund) Balance carried forward	(1,406)	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.

2006/07 £000's	2007/08 £000's	Note
419 Surplus/(deficit) for the year on the Income and Expenditure Account	(49)	
(1,346) Surplus arising on revaluation of Fixed Assets	(1,244)	26, 10
(645) Actuarial gain on pension fund assets and liabilities	(241)	27
0 Collection Fund Surplus & other balances	(57)	
(1,572) Total Recognised gains for the year	(1,591)	
Opening balance Sheet	(22,311)	
Closing balance sheet	(23,902)	
Movement during 2007/08	(1,591)	

Balance Sheet

31 March 2007		31 March 2008		Note
£000's		£000's	£000's	
Tangible Fixed Assets				
Operational Assets:				
12,064	Council Dwellings HRA	13,066		
1,977	Council Dwellings General Fund	1,924		
6,767	Other land and buildings	6,765		
1,140	Vehicles, plant, furniture and equipment	914		
5,070	Infrastructure assets	4,829		
Non-operational Assets:				
396	Investment properties	396		
20	Assets under construction	20		
27,434	Total Fixed Assets		27,914	10
10	Long-term investments		0	17
27,444	Total Long-term Assets		27,914	
Current Assets				
97	Stocks and work-in-progress	101		18
613	Debtors	1,322		19
0	Investments	10		17
2,703	Cash and bank	3,051		20
	Total Current Assets		4,484	
30,857	Total Assets		32,398	
Current Liabilities				
(701)	Short-term borrowing	(158)		17
(1,943)	Creditors	(2,141)		21
(57)	Provisions	0		22
	Total Current Liabilities		(2,299)	
28,156	Total Assets less Current Liabilities		30,099	
Long-term liabilities				
(868)	Long-term borrowing	(726)		17
(2,571)	Government Grants Deferred	(2,365)		15
(959)	Deferred Capital Grants	(1,988)		16
(1,447)	Liability related to defined benefit pension scheme	(1,118)		27
	Total Long-term liabilities		(6,197)	
22,311	Total Assets less liabilities		23,902	
Financed by:				
0	Revaluation Reserve		1,244	24 - 26
19,012	Capital Adjustment Account		18,541	24, 26
274	Usable Capital Receipts Reserve		274	24
(1,447)	Pensions Reserve		(1,118)	24
1,641	General Fund Balance		1,858	24
595	Housing Revenue Account Balance		596	24
2,236	Earmarked Reserves		2,507	24
22,311	Total Net Worth		23,902	

Cash Flow Statement

2006/07 £000's		31 March 2008		Notes
		£000's	£000's	
	Revenue Activities			
	Cash Outflows			
4,173	Cash paid to and on behalf of employees	3,774		
4,249	Other operating cash payments	5,399		
275	Housing Benefit paid out	291		
1,040	National non-domestic rate payments to national pool	1,131		
174	Precepts paid	58		
9,911			10,653	
	Cash Inflows			
(583)	Rents (after rebates)	(561)		
(1,229)	Council Tax Receipts	(1,274)		
(1,391)	National non-domestic rate receipts from national pool	(1,587)		
(966)	Non-domestic rate receipts	(963)		
(269)	Revenue Support Grant	(266)		
(288)	DSS grants for benefits	(308)		
(3,976)	Other Government Grants	(3,948)		31
(1,653)	Cash received for goods and services	(1,755)		
(101)	Other operating cash receipts	0		
(10,456)			(10,662)	
(545)	Net Revenue Activities Cash Flow		(9)	28
	Returns on Investments and Servicing of Finance			
	Cash Outflows			
93	Interest paid	58		
	Cash Inflows			
(121)	Interest Received	(148)		
(28)	Net Returns on Investments and Servicing of Finance Cash Flow		(90)	
	Capital Activities			
	Cash Outflows			
513	Purchase of Fixed Assets	388		10
	Cash Inflows			
(505)	Capital grants received	(1,312)		
8	Net Capital Activities cash flow		(924)	
(565)	Net cash (inflow)/ outflow before financing		(1,023)	29
	Financing			
	Cash Outflows			
701	Repayments of amount borrowed		701	
	Cash Inflows			
(500)	New loans raised		0	
201	Net Financing		701	
(364)	Net (increase)/ decrease in cash		(322)	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.

2006/07 £000's		2007/08 £000's	Note
(1,014)	Depreciation and impairment of fixed assets	(1,152)	26
256	Government Grants Deferred amortisation	290	15
(95)	Net loss on sale of Fixed Assets	0	10
(376)	Net charges made for retirement benefits in accordance with FRS17	(377)	27
(1,229)	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	(1,239)	
242	Minimum Revenue Provision for Capital Financing	234	14
305	Capital expenditure charged during the year to the General Fund Balance	156	14
351	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	465	27
898	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	855	
82	Housing Revenue Account balance (including Major Repairs Reserves & Housing Repairs Reserve)	1	24
(166)	Net transfer to or from earmarked reserves or other statutory funds	271	24
(84)	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	272	
(415)	Net additional amount required to be credited to the General Fund (Council Fund) Balance for the year	(112)	

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.

2006/07 Net (surplus)/ deficit		2007/08			Note
		Gross Expenditure £000's	Gross Income £000's	Net (surplus) / deficit £000's	
49	Airport	1,049	(1,220)	(171)	
0	Building Control	30	(16)	14	3
(5)	Water	343	(378)	(35)	
(86)	Sewerage	74	(180)	(106)	
(29)	Tourism (Brochures)	80	(90)	(10)	
34	Commercial Trade Refuse	165	(93)	72	
(37)	Total	1,741	(1,977)	(236)	

The net surpluses for the Airport, Water and Sewerage trading services shown above are taken to the respective reserves (see Note 24 on page 28).

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.

2006/07 £000's		2007/08		
		Chargeable £000's	Non- chargeable £000's	Total £000's
	Expenditure			
2	Employee expenses	8	0	8
3	Transport	0	0	0
1	Premises & Supplies & Services	1	0	1
21	Central and support service charges	21	0	21
27	Total Expenditure	30	0	30
	Income			
(27)	Building Regulations Charges	(16)	0	(16)
(27)	Total Income	(16)	0	(16)
0	(Surplus)/ Deficit for the year	14	0	14

Note 4 Expenditure on Publicity (s5, Local Government Act 1986)

The Council's expenditure on publicity was as follows:

2006/07		2007/08
£000's		£000's
16	Recruitment Advertising	5
4	Other	0
20	Total	5

The Council has spent less during 2007/08 following a major recruitment programme in 2006/07. In addition use has been made of advertising on free recruitment websites. Local advertising of notices and vacancies are also posted free on the Town Hall notice board, as there is no local paper for the Islands.

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 £1,000 (£1,500 in 2006/07).

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 Five Islands School, whose remuneration (excluding pension contributions) was £50,000 or more were:

2006/07	Remuneration Bands	2007/08
£000's		£000's
2	50,000 - 59,999	3
2	60,000 - 69,999	0
1	70,000 - 79,999	2
5	Total	5

The total amount of allowances paid to Members during the year was £86,261 (2006/07: £77,500).

Note 8 Related Party Transactions

A Statement of Recommended Practice (SORP) has been issued, applicable to these accounts, which is designed to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them. The disclosure information is intended to enable users to judge the extent of any effect.

During the year, none of the Members of the Council, nor any of the Chief Officers, nor any persons related to them, have been involved with any material transactions with the Authority.

The table below details the bodies considered to be related parties, and during the year the Authority has had the following transactions with them.

2006/07 £000's		2007/08 £000's	Note
	Central Government		
4,245	Revenue Support Grant and other grants	3,948	31
	Precepts and Levies		
174	Devon & Cornwall Police Authority	171	
	Pension Contributions		
349	Cornwall County Council	(377)	
116	Teachers' Pension Agency	129	
4,884		3,871	

Note 9 External Audit Fees

2006/07 £000's		2007/08 £000's
53	External Audit Services	68
16	Inspection Fees	6
5	Grants Claims	3
1	Other	0
75		77

Note 10 Movement on Fixed Assets

Operational Assets	Council Dwellings		Other Land & Buildings £000's	Vehicles, Plant etc £000's	Infra-structure £000's	Total £000's
	Housing Revenue £000's	General Fund £000's				
Certified Valuation at 31 March 2007	12,217	2,121	7,353	3,130	6,757	31,578
Accumulated depreciation & impairment	(153)	(144)	(586)	(1,990)	(1,687)	(4,560)
Net Book Value of Assets at 31 March 2007	12,064	1,977	6,767	1,140	5,070	27,018
Movements 2007/08						
Additions	119	0	118	151	0	388
Disposals	0	0	0	0	0	0
Revaluations	1,048	0	196	0	0	1,244
Depreciation	(165)	(53)	(229)	(377)	(241)	(1,064)
Impairments	0	0	(88)	0	0	(88)
Net Book Value of Assets at 31 March 2008	13,066	1,924	6,765	914	4,829	27,498
Net Value 31 March 2007	12,064	1,977	6,767	1,140	5,070	27,018

Non - Operational Assets	Assets Under Construction £000's	Investment Properties £000's	Total £000's	Total Fixed Assets £000's
Certified Valuation at 31 March 2007	20	396	416	31,994
Accumulated depreciation & impairment	0	0	0	(4,560)
Net Book Value of Assets at 31 March 2007	20	396	416	27,434
Movements 2007/08				
Additions	0	0	0	388
Disposals	0	0	0	0
Revaluations	0	0	0	1,244
Depreciation	0	0	0	(1,064)
Impairments	0	0	0	(88)
Net Book Value of Assets at 31 March 2008	20	396	416	27,914
Net Value 31 March 2007	20	396	416	27,434

During 2007/08, the Council purchased a hangar at the airport for equipment storage for the Fire Service. The Council obtained a valuation from the District Valuer prior to purchase of £9,500, but paid the agreed price of £15,000. The difference has therefore been charged to the Fire Service as impairment.

Note 11 *Tangible Fixed Assets*

Asset Description	Number
Council Houses	108
General Fund Houses	9
Garages	20
Education - School Buildings	1
- Hostel	1
Residential Care Home	1
Administrative Buildings	4
Public Conveniences	6
Airport	1
Airport - vehicles and moveable plant	4
Works Depot	1
Works - vehicles and plant	23
Incinerator	1
Reservoirs	3
Desalination Plant	1
Water/sewerage pumping stations	4
Industrial Estate	1
Fire Station (St. Mary's)	1
Fire Stations (Off Islands)	4
Fire Other Buildings	1
Fire Service vehicles	7
Cemetery	1
Park/garden	1
Miscellaneous Buildings	4
Roads (adopted)	14.5km

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 2008. 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			Vehicles, Plant etc £000's	Infra- structure £000's	Investment Properties £000's	Total £000's
	Housing Revenue £000's	General Fund £000's	Other Land & Buildings £000's				
Valued at historical cost				914	3,096		4,010
Valued at current value in:							0
2007/08	13,066		480				13,546
2006/07		280	2,292			316	2,888
2005/06		1,644	3,993		1,733	80	7,450
2004/05							0
2003/04							0
	13,066	1,924	6,765	914	4,829	396	27,894

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 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

2006/07 £000's		2007/08 £000's
6,050	Opening Capital Financing Requirement	5,851
	Capital Investment	
493	Operational Assets	388
20	Non-operational Assets	0
	Sources of Finance	
(165)	Government grants and contributions	(84)
(305)	Revenue Contribution	(156)
(242)	Minimum Revenue Provision	(234)
5,851	Closing Capital Financing Requirement	5,765
	Explanation of movements in year	
(199)	Increase/ Decrease in underlying need to borrow (unsupported by Government financial assistance)	(86)
(199)	Increase/ (Decrease) in Capital Financing Requirement	(86)

Note 15 Government Grants Deferred

The table below summarises the movements on deferred charges during the year.

	2007/08				Total £000's
	Incinerator £000's	Airport £000's	Coastal protection £000's	Other £000's	
Gross Value 1 April 2007	267	268	1,578	458	2,571
Additions	0	0	0	84	84
Grants released in year	(77)	(32)	(56)	(125)	(290)
Gross Value 31 March 2008	190	236	1,522	417	2,365

Note 16 Deferred Capital Grants

2006/07 £000's		In year Movements	2007/08 £000's
540	Off Islands Quay Project	1,050	1,590
124	DTLR- Implement Electronic Government	(34)	90
291	Standards Fund	13	304
4	SENDA Grant	0	4
959		1,029	1,988

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 2007 £000's	31 March 2008 £000's	31 March 2007 £000's	31 March 2008 £000's
Financial Liabilities at Amortised Costs	868	713	201	155
Accrued Interest		13		3
Total Borrowings	868	726	201	158
Unquoted Debenture Stock	10	0	0	10
Total Investments	10	0	0	10

The maturity analysis of financial liabilities is as follows:

	Trade Payables	PWLB Loans	Accrued Interest on PWLB Loans	Total
	£000's	£000's	£000's	£000's
Less than 1 Year	2,141	155	3	2,299
Between one and two years		143	3	146
Between two and five years		290	5	295
More than five years		280	5	285
Total	2,141	868	16	3,025

The fair value of PWLB loans as at 31 March 2008 is £925,000 (31 March 2007: £1.088 million), the additional costs indicated in that figure reflect early repayment penalties that would be applied by the PWLB should the loans be repaid early.

The unquoted debenture stock relates to a debenture taken out with the Association of District Councils in 1996, now the Local Government Commission. The holding company that issued the debenture stock has notified the Council that the building that the debenture proceeds were used to fund has now been sold and that debenture holders will receive payment of their original investment plus a small additional return. However, a distribution is not due until later in 2008 and it is not possible to revalue or reflect the potential growth in value, as per the debenture terms, until a few days before a distribution takes place.

Note 18 Stock

2006/07 £000's		2007/08 £000's
4	General raw materials	5
60	Water & Desalination plant	61
2	Tourist Information Centre	2
12	Airport	14
19	Incinerator	19
97		101

Note 19 Debtors

2006/07 £000's		2007/08 £000's
40	Government Grants	241
33	Rates and Taxpayers	3
18	Housing Tenants	14
642	Sundry Debtors	1,064
733		1,322
(120)	Less provision for doubtful debts	0
613		1,322

In line with accounting practice, bad and doubtful debts are written down direct to the Income and Expenditure account rather than making a provision for bad debts as recommended in the past. Therefore the provisions brought forward have been written back in 2007/08.

Note 20 Cash in Hand

31 March 2007 £000's		Movement during the year £000's	31 March 2008 £000's
2,437	Cash held at bank	322	2,759
265	School's local bank accounts	26	291
1	Petty cash	0	1
2,703		348	3,051

Note 21 Creditors and Receipts in Advance

2006/07 £000's		2007/08 £000's
737	Sundry Creditors	681
1,187	Unspent Government Grants	1,442
15	Rate and Taxpayers	11
4	Rents Accrued	7
1,943		2,141

Note 22 Provisions and Contingent Liabilities

The Council has established a provision to recognise those liabilities which arose during the financial year 2007/08 but remained unpaid as at 31 March 2008. The provision stands at £nil (£57,000 in 2006/07).

There are no contingent liabilities for 2007/08.

Note 23 Prior Period Adjustment

The Net Cost of Services shown above has been analysed into Service Expenditure Areas as defined by the BVACOP (see page 5). The 2006/07 figures have been restated into the same format to allow comparison. The Council manages these amounts by Committee on a day-to-day basis and the explanation of variances from budget are covered in more detail in the explanatory forward (see from page 5).

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 2007 £000's	Reserve	Movements during the year		Balance 31 March 2008 £000's	Notes
		Increases £000's	Used in year £000's		
0	Revaluation Reserve	1,244	0	1,244	25,26
19,012	Capital Adjustment Account	681	(1,152)	18,541	26
274	Usable Capital Receipts	0	0	274	
(1,447)	Pensions Reserve	329	0	(1,118)	
197	HRA - Housing Revenue Account	27	0	224	
259	HRA - Major Repairs Reserve	171	(198)	232	
139	HRA - Housing Repairs Account	1	0	140	
1,245	General Fund - Council Fund	1,867	(1,706)	1,406	
131	General Fund - Collection Fund	30	0	161	
265	General Fund - School Fund	26	0	291	
448	Earmarked - Water Reserve	35	0	483	
469	Earmarked - Airport Reserve	171	0	640	
193	Earmarked - Capital Reserve	0	(5)	188	
656	Earmarked - Repairs Fund	27	0	683	
107	Earmarked - Plant Fund	23	(86)	44	
353	Earmarked - Sewerage Reserve	106	0	459	
10	Earmarked - Equipment Fund	0	0	10	
22,311		4,738	(3,147)	23,902	

Note 25 Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 5, page 7). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £18.266 million on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£746,000 debit balance) to form the new Capital Adjustment Account with a balance of £19.012 million. The Revaluation Reserve has then been

included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

Note 26 *Movement on the Revaluation Reserve and the Capital Adjustment Account*

Revaluation Reserve	£000's
Opening Balance	0
Upward Revaluations & Enhancements	1,244
Closing Balance	1,244

Capital Adjustment Account	£000's
Opening Balance (FARA & CFR brought forward)	19,012
Depreciation and Impairments during the year	(1,152)
Contribution from revenue	447
Minimum Revenue Provision	234
Closing Balance	18,541

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. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. An employer's contribution of £463,000 representing 21.8% of Superannuable Pay, (2006/07 £349,000 20.2%) 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:

2006/07		2007/08
£000's		£000's
	Net cost of services:	
400	Current Service Cost	364
0	Past Service Cost	69
	Net Operating Expenditure	
(457)	Expected return on assets in the scheme	(536)
433	Interest Costs	480
(24)		(56)
376	Net Charge to the Income and Expenditure Account	377

Note 27 Continued..

2006/ 07 £000's	Statement of Movement on the General Fund Balance	2007/ 08 £000's
(376)	Reversal of net charges made for retirement benefits in accordance with FRS 17	(377)
351	Employers Contributions payable	465
(25)		88

The underlying assets and liabilities for retirement benefits attributable to the authority as at 31 March 2008 are as follows:

2006/ 07 £000's		2007/ 08 £000's
(8,855)	Estimated liabilities in the scheme	(8,970)
7,408	Estimated assets in the scheme	7,852
(1,447)	Net assets/ (liabilities)	(1,118)

The net position indicates the Council's commitment to reducing the deficit position by increasing contributions over the remaining working life of employees, as assessed by the scheme actuary.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. 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 2008.

The main assumptions used in their calculations are as follows:

31 March 2007 %p.a.		31 March 2008 %p.a.
3.2	Price Increases	3.6
5.2	Salary Increases	5.6
3.2	Pensions Increases	3.6
5.4	Discount Rate	6.9

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

31 March 2007 %p.a.		31 March 2008 %p.a.
7.8	Equity Investments	7.7
4.9	Bonds	5.7
5.8	Property	5.7
4.9	Cash	4.8

Note 27 Continued..

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

	2007/08 £000's	2006/07 £000's	2005/06 £000's	2004/05 £000's	2003/04 £000's
Difference between expected and actual return on assets	(722)	141	1,006	226	563
Difference between actuarial assumptions about liabilities and actual experience	(654)	2	(2)	229	(17)
Changes in assumptions underlying the present value of liabilities	1,617	502	(978)	(1,209)	0
Actuarial Gain/ (Loss) in Pension Fund	241	645	26	(754)	546

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.

2006/07 £000's		2007/08 £000's
419	General Fund (Surplus)/ Deficit	(49)
0	Collection Fund (Surplus)/ Deficit	(30)
419		(79)
	Adjustment for non-cash transactions	
(1,014)	Depreciation and Impairment of Fixed Assets	(1,152)
166	Contribution (to)/ from Reserves	271
256	Government Grants Deferred	318
(95)	Profit/(loss) on disposal of Fixed Assets	0
(24)	Net Retirement Benefit Charges	(56)
(711)		(619)
	Adjustments for items on an accruals basis	
(171)	(Increase)/ Decrease in total creditors	(177)
(25)	(Increase)/ Decrease in total provisions	57
(2)	Increase/ (Decrease) in total stocks	4
(77)	Increase/ (Decrease) in total Debtors	709
(275)		593
	Items classified elsewhere in the Cash Flow Statement	
110	Interest received	194
(88)	Interest paid	(98)
22		96
(545)	Revenue Activities net cash flow	(9)

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

2006/07 £000's		2007/08 £000's
	Increase/ decrease in cash in the period	
(500)	Cash inflow from new debt	0
701	Cash outflow from debt repaid and finance lease payments	701
364	Cash inflow from increase in liquid resources	322
565	Change in net debt resulting from cash flows	1,023
304	Net Debt 1 April	869
869	Net Debt 31 March	1,023

Note 30 Reconciliation of financing and management of liquid resources section of Cash Flow Statement to the Balance Sheet

1 April 2007 £000's		Movements during the year £000's	31 March 2008 £000's
2,703	Bank & Cash in Hand	348	3,051
(264)	School Bank Accounts	(26)	(290)
2,439		322	2,761
(1,570)	Loans Outstanding at 31 March	701	(868)
869	Net Cash Balances	1,023	1,893

Note 31 Analysis of Government Grants

2006/07 £000's		2007/08 £000's
121	Transitional Relief	70
105	Council Tax Discounts	132
23	Cost of Collection	24
238	Adult Learning - Family Learning, Literacy and Learning	148
	Adult Learning - Standards Fund	69
	Childrens Services - Capacity Building	42
	Community Safety - Safer Communities	29
	Early years & Child Care - Sure Start	146
	Education - Information Sharing Index	121
	Education - Standards Fund/ Isles of Scilly Grant	2,655
	Education - Teacher Training	45
	Housing - Local Housing Allowance	64
	Planning - Natural England	78
	Social Services - Access & Systems Capacity Grant	36
	Social Services - Information Management	26
3,489	Other	263
3,976	Total	3,948

The grants shown as 'other' in 2006/07, have been analysed in greater detail for 2007/08.

Note 32 Disclosure of deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families (DCSF). For this Council this also includes funding previously referred to as Standards Fund. Details of the use of the funding for 2007/08 are as follows:

	Central Expenditure £000's	Individual Schools Budget £000's	Total £000's
Original grant allocation to Schools Budget for the current year in the authority's budget	545	1,942	2,487
IOS Education Grant receivable for the year	545	1,942	2,487
Actual expenditure for the year	619	1,909	2,528
(Over)/ underspend for the year	(74)	33	(41)
Planned top up funding of ISB from Council resources	74	0	74
(Over)/underspend from 2006/07	0	(7)	(7)
(Over)/ underspend carried forward to 2008/09	0	26	26

Note 33 *Isles of Scilly Fire Fighters Pension Scheme*

2006/ 07 £000's	2007/ 08 £000's
Contributions Receivable	
Fire Authority:	
(2) - contributions in relation to pensionable pay	(4)
(3) Firefighters' Contributions	(5)
(5) Net amount payable for the year	(9)
5 Top-up grant payable (to) / from the Government	9
0	0

Net Assets Statement as at 31 March 2008

Net current liabilities	
0 Creditors - amounts due to Government	(14)
0 Total Net Liabilities	(14)

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 form 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.

Employees' and employers' 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 has no investment assets. The net assets statement does not include liabilities to pay pensions and other benefits after the Balance Sheet date.

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.

Housing Revenue Income and Expenditure Account

2006/07 £000's		2007/08		Note
		£000's	£000's	
	Income			
(305)	Dwelling Rents (gross)	(318)		
(7)	Non-dwelling rents (gross)	(8)		
(11)	Charges for services and facilities	(16)		
(323)	Total Income		(342)	
	Expenditure			
92	Repairs and Maintenance	99		
116	Supervision and Management	105		
157	Depreciation and Impairment of Fixed Assets	171		
1	Debt Management Costs	1		
3	Special Support Services	1		
6	Negative Housing Revenue Account subsidy	9		43
375	Total Expenditure		386	
52	Net Cost of HRA Services per authority Income and Expenditure Account		44	
95	(Gain) or loss on sale of HRA fixed assets		0	
37	Interest payable and similar charges		43	
(14)	Interest and investment income		(14)	
170	(Surplus)/ Deficit for the year on HRA services		73	

Statement of Movement on the Housing Revenue Account Balance

2006/07 £000's		2007/08 £000's	
170	(Surplus)/ Deficit on the HRA Income and Expenditure Account	73	
(181)	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	(100)	34
(11)	(Increase)/ Decrease in the Housing Revenue Account Balance	(27)	
(186)	Housing Revenue Account surplus brought forward	(197)	
(197)	Housing Revenue Account surplus carried forward	(224)	

Collection Fund

2006/07 £000's		2007/08 £000's	Note
	Income		
(1,208)	Council Tax	(1,296)	44
(65)	Transfer from General Fund - Council Tax Benefits	(66)	
(1,064)	Income collectable from business ratepayers	(1,141)	45
(2,337)	Total Income	(2,503)	
	Expenditure		
	Precepts		
983	General Fund	1,050	
156	Police	154	
	Business rates		
1,041	Payment to national pool	1,118	
23	Costs of collection	24	
	Distribution of previous year's surplus		
115	General Fund	110	
19	Police	17	
2,337	Total Expenditure	2,473	
0	(Surplus)/ Deficit on Collection Fund	(30)	
131	Collection Fund Balance 1 April	131	
131	Collection Fund Balance 31 March	161	

Statement of Movement on Collection Fund Balance

2006/07 £000's		2007/08 £000's
0	Surplus for the year on the Collection Fund	(30)

Notes to the Supplementary Financial Statements

Note 34 Statement of Movement on the HRA Balance

2006/07 £000's	2007/08 £000's
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	
(95) Gain or (loss) on sale of HRA fixed assets	0
(95)	0
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year	
(89) Transfer to / (from) Major Repairs Reserve	(101)
3 Transfer to / (from) Housing Repairs Account	1
(181)	(100)
Net Additional amount required by statute to be debited or (credited) to the HRA balance for the year	

Note 35 Analysis of Council Housing Stock

2006/07 Number	2007/08 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 36 Value of HRA Assets

	Houses £000's	Garages £000's	Land £000's	Total £000's
Value as at 1 April 2007	12,064	216	0	12,280
Additions in the year	119	0	0	119
Revaluations in the year	1,048	15	0	1,063
Depreciation & Impairment	(165)	(6)	0	(171)
Value as at 31 March 2008	13,066	225	0	13,291

Note 37 *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 2007 the vacant possession value of dwellings within the Council's HRA was £29.801 million.

Note 38 *Impairment costs*

The SORP clearly defines impairment costs as being those costs that have arisen due to the economic consumption of an asset. There have been no such costs incurred by the Council in 2007/08.

Note 39 *Movement on the Major Repairs Reserve*

2006/07 £000's	2007/08 £000's
Depreciation	
(153) Dwellings	(165)
(4) Garages	(6)
(157) Total Depreciation	(171)
	97
Major Repairs Expenditure	
Transfer to General Fund	
4 Depreciation of other buildings	6
85 Depreciation in excess of MRP	95
89	198
(68) (Surplus)/ Deficit	27
(191) Balance as at 1 April	(259)
(259) Balance as at 31 March	(232)

Note 40 *Movement on Housing Repairs Account*

2006/07 £000's	2007/08 £000's
(136) Balance at 1 April	(139)
(95) Contribution from Housing Revenue Account	(100)
92 Expenditure on Housing Repairs	99
(139) Balance at 31 March	(140)

Note 41 Analysis of Capital Expenditure

2006/07 £000's		2007/08 £000's
22	Capital Outlay - houses	119
22		119
Financed by:		
(22)	Reserves and temporary borrowing	(22)
0	Major Repairs Reserve	(97)
(22)		(119)

Note 42 Rent Arrears

2006/07 £000's		2007/08 £000's
11	Gross Rent Arrears at 31 March	10
(1)	Prepaid Rent	(2)
10	Net Rent Arrears	8
3	Value of Bad or doubtful debts (Removed from 2007/08)	0

The arrears of £8,162 represents 2.4% of the gross rent income for the year (being £10,631 at 3.5% for 2006/2007).

Note 43 Breakdown of HRA subsidy

2006/07 £000's		2007/08 £000's
95	Management Allowance	100
82	Maintenance Allowance	87
68	Major Repairs Allowance	70
Charges for Capital		
1	Admissible set-aside	0
37	Interest Charge	42
36	Debt Management	36
319	Net Rent Arrears	335
(325)	Notional Rent Income	(344)
(6)	Housing Subsidy (negative)	(9)

Note 44 Calculation of Net Council Tax

2006/07 £000's		2007/08 £000's
(1,404)	Council tax - gross due	(1,495)
Less		
104	Discounts	110
25	Exemptions	22
65	Benefits	66
2	Previous year's adjustment	1
(1,208)	Net Council Tax	(1,296)

Note 45 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.

2006/07 £000's		2007/08 £000's	
1,298	NNDR Debit	1,339	
(232)	Less: Transitional & Other Relief	(193)	
(2)	Previous year adjustments	(5)	
1,064	Net Income from Business Ratepayers	1,141	
1,391	Redistributed amount from NNDR Pool	1,587	
Multiplier Rates			
43.3p	Non - Domestic	44.4p	
42.6p	Small Business	44.1p	

Note 46 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 - 1,172 dwellings for 2007/08.

This basic amount for a Band D property (£1,027.57 in 2007/08) is multiplied by the proportion specified for the particular band to give the individual amount due.

Valuation Band	Range of Values	Link to band D	Dwellings on valuation List	Discounted Dwellings	Dwellings Tax Base
A	Up to £40,000	6/9	13	11	7
B	£40,001 to £52,000	7/9	29	24	18
C	£52,001 to £68,000	8/9	79	64	56
D	£68,001 to £88,000	9/9	228	183	180
E	£88,001 to £120,000	11/9	326	275	329
F	£120,001 to £160,000	13/9	304	256	362
G	£160,001 to £320,000	15/9	149	126	205
H	Over £320,000	18/9	8	8	15
			1,136	947	1,172

Note 47 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, and 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 2008 and up to the date of approval of the annual report and statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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

No	Element of Governance
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.
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 Improvement Plan 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 Improvement Plan 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

No	<i>Element of Governance</i>
	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.
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 2008. 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 Corporate Plan, 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 are approved annually.
3.17	<p>The performance indicators assist in challenging the services 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.</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.

No	Element of Governance
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3.19 During 2008/09 continuous improvements are planned to ensure performance targets are adjusted in the light of benchmarking with other authorities and review of actual performance.

The Six Core Principles of Governance

No	The Requirement	How the Council will demonstrate compliance
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3.20 Develop and promote the authority's purpose and vision. 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 on Best Value Performance Review documentation and within the policy documents.

The Sustainable Community Strategy has taken the vision forward and identified key areas to be addressed over the coming years.

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.

Strategies and plans are brought together in the 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.

3.21 Review the authority's vision for the local area and its impact on the authority's governance arrangements on a regular basis. The Modernising Local Government Group review the purpose and vision of the authority on an annual basis and reports to Members.

3.22 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties. 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 developing LAA also reflects a common vision with clear targets.

A standard Statement is being developed to be used in partnership agreements for signature by designated signatories on behalf of the partners.

3.23 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance. Annual Financial statements are produced in June and agreed by Members at Full Council and is published on the website.

The authority's Improvement Plan is agreed by Members at Full Council and published annually on the website or on request.

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.

The Six Core Principles of Governance

No	The Requirement	How the Council will demonstrate compliance
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>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 publicised in accessible formats through the Best Value Performance Plan, 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>
3.24	Continued.	<p>Measures are being introduced to ensure that performance issues can be communicated and addressed across the Authority.</p>
3.25	Put in place effective arrangements to identify and deal with failure in service delivery.	<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 internet, intranet and Audit Commission website.</p> <p>Full Council receives reports relating to compliments, complaints and service improvements.</p> <p>The Best Value and Corporate Plan sets out the Council's plans for improvement based on consultation, Council's reviews, external inspections and audit, and Corporate Assessments.</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>A Medium Term Financial Strategy 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>
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</p>

The Six Core Principles of Governance

No	The Requirement	How the Council will demonstrate compliance
		<p>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's 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 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 and responsibilities for Members are being defined and a statement and a set of job descriptions is being developed for Members during 2008.</p> <p>Job descriptions for Senior Officers are reviewed and updated regularly by Human Resources.</p>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
		The National Code of Local Government Conduct is contained within the Members and Officers Handbook.
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>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>
3.31	Ensure the Chief Executive is responsible and accountable to the authority for all aspects of operational management.	<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 considerations 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>
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.	The Protocol being developed during 2008 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.
3.33	Ensure the Director of Finance (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	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, the organisation of all accounting systems, in co-operation with the Chief Officers of the Council.

The Six Core Principles of Governance

No	The Requirement	How the Council will demonstrate compliance
	financial control.	
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, regulations are complied with.	<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>
3.35	Develop protocols to ensure effective communication between Members and Officers in their respective roles.	A Communication Strategy has been approved by Council and took effect from December 2006.
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>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>
3.37	Ensure that effective mechanisms exist to monitor service delivery.	<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
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>The Council's Vision and objectives are set out in the Best Value and Corporate Plan and was developed through consultation with the community.</p> <p>A revised Sustainable Community Strategy has been developed in consultation with partners.</p> <p>The Council's Improvement Plan and Service Plans are incorporated within the Best Value and Corporate Plans and are published on the website.</p>
3.39	When working in partnership ensure that Members are clear about their roles and	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.

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
	responsibilities both individually and collectively in relation to the partnership and to the authority.	
3.40	<p>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>
3.41	Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.	<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>
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>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>
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	<p>Members and Officers values are set out in the Sustainable Community Strategy and Corporate Plan that supports the objectives and is underpinned by the Improvement Plan, reflecting the communities expectations.</p> <p>Policies and plans are communicated through Council meetings, partnership meetings, the Council website and</p>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
	community and partners.	intranet and via newsletters to the community.
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>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 meet at least three times per year.</p> <p>The developing protocol for Member/Officer relations will ensure that processes are operated in an effective, appropriate and ethical manner.</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 meet 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>
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.	The Council is considering a way forward in respect of an agreed set of values for partnership arrangements.
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>Full Council is the scrutinising body and provides overall direction to the organisation and satisfying 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>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
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.	Major meetings are web cast for those who cannot attend the meeting or wish to view the decisions at a later time.
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>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>
3.51	Continued.	<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>
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.	<p>The Council has a Policy and Resources Committee that has delegated powers from Full Council and sits three times per year.</p> <p>The Policy and Resources Committee consists of the Chairmen of each standing committee, with the exception of Standards and Licensing committees and any select committee.</p>
3.53	Arrangements are put in place effective transparent and accessible arrangements for dealing with complaints.	<p>Procedures for complaints are publicised on the website and forms are available on the website, in the Town Hall reception and on request.</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>
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.	<p>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.</p> <p>Reports are sent to decision makers with the agenda of the meeting on a timely basis.</p>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
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.
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>The Council has established and adopted 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 and service planning stages. A Corporate Risk Register identifies the benefits of active risk management.</p>
3.56	Continued.	<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 of 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 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>
3.57	Ensure that arrangements are in place for whistle blowing to which staff and all those contracting with the authority have access.	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.
3.58	Actively recognise the limits of lawful activity placed on them by, for example the ultra vires	A programme of awareness training for Members and existing staff is to be developed during 2008, to be included in induction training.

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
	doctrine but also strive to utilise powers to the full benefit of their communities.	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.
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 them, 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 organization.	<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 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 cascaded from the Quarterly meetings to the departments by Service Managers.</p>
3.63	Assess the skills required by Members and Officers and make a commitment to develop those skills to enable roles to be	<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</p>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
	carried out effectively.	Group examines the needs of the Members and considers and arranges the activities to be offered.
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>The Council is aware that it's most important resource is the staff that deliver 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 Corporate Improvement Plan.</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>
3.64	Continued.	
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>The Council's performance is reviewed during strategic planning effected through the Modernising Local Government Group.</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>
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.	<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 developing Local Area Agreements.</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>

The Six Core Principles of Governance

No	The Requirement	How the Council will demonstrate compliance
		<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>
3.67	Ensure that career structures are in place for Members and Officers to encourage participation and development.	<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>
3.68	Make clear to Members, Officers and the community, to whom they are accountable and for what.	<p>The Council's vision, priorities and values are published in the Best Value and Corporate Plan and includes performance targets within the Improvement Plan and Service Plans.</p> <p>The Best Value and Corporate Plan is published on the website annually.</p> <p>The Council's Standing Orders and Financial Regulations inform Members and Officers of their obligations and processes.</p>
3.69	Consider those institutional stakeholders to whom they are accountable and assess the effectiveness of the relationships and any changes required.	<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>
3.70	Produce an annual report on scrutiny function activity.	<p>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.</p>
3.71	Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to	<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>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
	ensure that they operate effectively.	<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 quarterly 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' whereby the public are asked to leave the Council Chamber.
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>The Communication Strategy and the developing 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>

The Six Core Principles of Governance

No	The Requirement	How the Council will demonstrate compliance
		<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 to be published in June 2008.</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 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>
3.74	Establish a clear policy on the types of issues they 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>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>
3.74	Continued.	<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 organisations views.</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>The Council's vision and priorities are published in the Best Value and Corporate Plan and include performance targets within the Improvement Plan and Service Plans.</p> <p>The Best Value and Corporate Plan is published on the website annually.</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>
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	<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>

The Six Core Principles of Governance

No	<i>The Requirement</i>	<i>How the Council will demonstrate compliance</i>
	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>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 the developing intranet.</p> <p>Quarterly meetings are arranged to ensure information is exchanged and updated upward and Service Managers cascade 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.</p> <p>The public are able to access information held by the Council under the terms of the Freedom of Information Act 2000 through the Central Services.</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>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>
3.77	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 Quarterly meetings, surveys and departmental meetings.</p> <p>The recently developed 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 cascaded to staff via the Trade Union representatives.</p>
No	<i>Element of Governance</i>	

Principal Risks to Achievement of Objectives

- 3.78** The Risk Management Strategy has the full support of the Councillors and Corporate Management Team and has been approved by Senior Members.
- 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.
- Reviews of the risk management process are undertaken by the Modernising Local Government Group.
-
- 3.79** The Council has systems and processes in place for the identification and management of strategic and operational risk.
- The process for ongoing risk management is the responsibility of the Strategic Management Team and Chief Officers.
- Risk management is embedded in the activity of the authority through the business plan and service planning stages.
- The Chairman of Policy and Resources Committee has the role of Member Risk Champion; the Modernisation Officer has the role of Officer Risk Champion. The Corporate Governance Lead is the designated officer for Risk Management.
- 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.
-
- 3.80** 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.
- A Guide to Risk Management setting out the framework for risk analysis has been approved and communicated via the intranet and workshops.
-
- 3.81** 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.
- 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 operational level.
-
- 3.82** 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.
-
- 3.83** 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 has taken place for Chief Officers and Service Managers. Further training workshops

are to take place during 2008 for Members and remaining staff. New staff and partners receive induction training.

Evaluation of the workshop sessions to date 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.

- 3.84** The Modernising Local Government Group has the role of overall co-ordination of risk management throughout the Authority.

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.

The Modernising Local Government Group reviews the Corporate and Departmental risk registers at least twice annually.

- 3.85** 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.

- 3.86** 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 cascading 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.

- 3.87** 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, is led from the top and is 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.

- 3.88** 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.

Controls to Manage Principal Risks

- 3.89** 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 Treasurer 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.

Financial Regulations contained within the Council's Handbook set out the overall framework that

No	<i>Element of Governance</i>
	governs the management of the Council's finances.
3.90	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.
3.91	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.
3.92	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. A Register of gifts and hospitality is maintained, reviewed and updated annually.
3.93	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.
3.94	A Register of Interests, identifying the declarable interests of Members and Officers in relation to community and life interests, is reviewed and updated annually.
3.95	The Council is developing a Scheme of Delegation that incorporates adequate controls and sanctions to be approved and adopted by Council during 2008.
3.96	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.
3.97	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.
3.98	The Corporate Risk Register identifies, addresses and monitors principal risks. Departmental Risk Registers identify risks from the Service Plan objectives, addresses and monitors risks. Risk owners are assigned to each risk in order for the principal risks to be managed and controlled. Risk Management workshops have taken place for Chief Officers and Service Managers to underpin the principles of the Authority's Risk Management Framework. Workshops are planned for all staff during 2008.
3.99	All risk registers are reviewed by Service Managers and monitored by the Modernising Local Government Group at least twice annually.
3.100	The Internal Control framework is subject to regular assessment and is to be developed further in 2007/08. The Council has an objective and professional relationship with external auditors and statutory inspectors.
3.101	The corporate Health and Safety policy has been formally approved. This policy is subject to regular review and an updated policy is planned during 2008. This is to be communicated to all relevant staff via the Council's website and intranet.
3.102	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. 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

No

Element of Governance

and are able contact the Ombudsman through the complaints system.

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

Effectiveness of controls

4.1 The responsibility for maintaining and reviewing the system of internal control rests with the authority.

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, the Benefit Fraud Inspectorate and other agencies relevant to the Authority.

4.2 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.

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 Management Team at least 3 times per year and are reported to the Policy and Resources committee.

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. Further development is planned for 2008/09.

No	Effectiveness of controls
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4.7 The Modernising Local Government Group meets on a regular basis to review progress on performance indicators, risk management and Best Value.

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

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.

We 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	The Health and Safety Policy needs to be updated and communicated to all staff and consistently applied.	The Health and Safety Policy to be reviewed, updated and approved by Members by November 2009 and communicated to all staff via the intranet.
5.2	Performance Management is an area for focus and needs moving on from monitoring to management and a corporate overview is needed. This should be communicated to all staff to ensure targets are consistently SMART, the outcome is focused and performance management is consistently applied throughout the authority.	Performance Management identified as a priority for 2008/09. A Performance Management Group is being established to ensure that this issue is addressed.
5.3	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.
5.4	As part of the closedown process the Council should review its provisions and ensure that they comply with Financial Reporting Standard 12 (FRS12).	Done
5.5	Processes should be in place to ensure that any changes in accounting practice are implemented and adhered to.	Done
5.6	The fixed asset register should be reconciled to the Statement of Accounts	Done

No	Issue	Action Required
	as part of the closedown process.	
5.7	A full review of the Council's assets should be undertaken to establish which ones have been built on lease land and that a valid lease is in place.	In progress during 2008/09
5.8	A more robust year end closedown timetable should be produced and tasks assigned to relevant Officers. Progress against the closedown timetable should be closely monitored and prompt action taken to address any slippage identified.	Done
5.9	The Council must ensure that the Statement of Accounts is compiled directly from the figures reported in the year end trial balance.	Done
5.10	The Council should ensure that a comprehensive working paper file is produced to support the financial statements. The working paper file should also be clearly laid out and cross referenced to the statements.	Done
5.11	The Council should consider carrying out analytical checks on the statements to identify significant variances and provide itself with assurance that the balances are accurate and are prepared on a consistent basis.	Done
5.12	The Council should review its treasury management strategy and calculate and report its borrowing limits and requirements for the next two years along with a set of prudential indicators. This should then be reviewed and updated on an annual basis.	Achieved for 2008/09 but more work needed on future medium term forecasts. This has been highlighted as a priority for 2008/09.
5.13	As part of the closedown process the Council should ensure that all reconciliations reconcile to the Statement of Accounts.	Some issues identified with the Bank Reconciliation. These are currently being investigated. All other reconciliations are done.
5.14	Closedown Target date for 2006/07 not achieved.	Good progress on deadlines for 2007/08 with the final deadline expected to be met.
5.15	Ensure sufficient professional and managerial capacity in the Finance team to deliver improved standards of financial management and reporting, including statutory deadlines for the financial statements.	Done

No	Issue	Action Required
5.16	Develop a more coherent view of financial and performance information to demonstrate value for money is being achieved.	This will be covered by the work on Performance Management across the Authority.
5.17	Use performance information more effectively to manage services and improve performance.	This will be covered by the work on Performance Management across the Authority.
5.18	Address weaknesses in internal control.	Known weaknesses, particularly in relation to the Cambridge Education Contract, have been addressed.

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.

Signed:



Dated: 26.6.08

Chairman of the Council

Signed:



Dated: 26.06.08

Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COUNCIL OF THE ISLES OF SCILLY ON THE WHOLE OF GOVERNMENT ACCOUNTS (WGA) CONSOLIDATION PACK

I have examined pages 1 to 19 of the consolidation pack of the Council of the Isles of Scilly for the year ended 31 March 2008, which has been prepared and certified by the Consolidation Officer in accordance with instructions from HM Treasury.

I confirm that I have performed the procedures for Band 2 bodies as set out in the Audit Commission's guidance to auditors published in July 2007.

This report is made solely to the Council of the Isles of Scilly in accordance with section 10 (2) of the Government Resources and Accounts Act 2000 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and Audited Bodies prepared by the Audit Commission.

In my opinion, pages 1 to 19 of the consolidation pack are consistent with the statement of accounts for the year ended 31 March 2008 on which I have entered my opinion in accordance with section 9 of the Audit Commission Act 1998.



Patrick Jarvis
District Auditor
Audit Commission
Collins House
Bishopstoke Road
Eastleigh
HAMPSHIRE
SO50 6AD

30 September 2008