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Explanatory Foreword

This Statement of Accounts is produced by the County Treasurer and contains the County Council's accounts for the financial year ended 31 March 2003. Publication of these accounts is required under the Accounts and Audit Regulations 2003 and the Code of Practice on Local Authority Accounting, which also specify the format and content of the accounts. The requirements of CIPFA's Best Value Accounting Code of Practice 2000 (BV ACOP 2000) apply to the 2002-03 Statement of Accounts. The BV ACOP complements the Code of Practice on Local Authority Accounting and provides an authoritative guide to financial accounting for local authorities within the best value environment.

Summary of the 2002-03 Financial Year

The County Council's budget for 2002-03 was set at £17.312 million, an increase of 3.3% on the previous year. The budget also provided for a contribution from balances of £1.695 million.

The table below summarises the outturn position compared to the original budget, with an overall under spending compared to the original budget of £0.455 million. The main reasons for the under spending are the planned under spending on E-government and IT budgets to meet expenditure phased in subsequent years, a delay in the Minerals Local Plan Inquiry which will now be held in 2002-03, and a number of smaller underpinnings in Education Services. These were offset by an overspending on social care for children of nearly £1 million mainly due to demand for placements.

Revenue Account Summary

The following table summarises the expenditure and income for the year: -

2001-02 Actual £000		2002-03 Budget £000	2002-03 Actual £000	2002-03 Difference £000
303,168	Service Expenditure during the year	315,617	315,162	455
307,152	Income from government grant and local taxpayers	317,312	317,312	0
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3,984	Additions to/Withdrawals from balances	1,695	2,150	-455
1,341	County Fund balance at beginning of year	2,923	5,325	-2,402
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5,325	County Fund balance at end of year	4,618	7,475	-2,857
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The County Fund balance at 31 March 2003 is £7.475 million and includes all under spending identified at the year-end. In February 2003 County Council agreed the use of £1.432 million from balances to support 2003-04 revenue expenditure. In July 2003 Cabinet agreed that £1.487 million of the under spending from 2002-03 should be available to fund services in 2003-04. These two items will reduce the available County Fund to £4.556 million in 2003-04.

Capital Expenditure Summary

Capital expenditure in the year was £44.642 million, £2.699 million less than the approved capital budget. Of this under spending, £2.642 million (or 6% of the total budget) represents delays in cash payments on schemes in progress, which will now be spent in 2003-04. The program was financed from borrowing, capital receipts, grants and developer contributions.

Increasingly more of the capital programme is now funded from earmarked resources. Expenditure in 2002-03 includes £10 million on the improvement of schools through New Deals for Schools grants and over £21 million was spent on improving the highways network, such as Semington bypass and Salisbury transport plan, as part of the Local Transport Plan which has been agreed with the Government.

The Capital Expenditure contributes towards the creation and maintenance of new assets for Wiltshire County Council. Expenditure during the year included: -

- Corsham School: £1.4 million on an extension to provide additional secondary places.
- Greentrees School : £1 million towards the construction of a new primary school in Salisbury
- King's Lodge School : £0.6 million on a six class extension which will enable the replacement of temporary accommodation
- Highways Structural Maintenance: £1 million on the repair and maintenance of non-principal roads within the County.

Long term debt outstanding increased during the year by £30.395 million, largely due to the funding requirements of the capital programme. New loans to the value of £45 million were taken out, £33 million from the Public Works Loans Board (PWLB) and £12 million from Banks and Building Societies. £14.605 million of PWLB loans were repaid

Mike Prince
County Treasurer

<p>For further information concerning any items contained in this Statement please write to the County Treasurer, County Hall, Bythesea Road, Trowbridge, BA14 8JJ, or telephone (01225) 713604.</p>
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Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the County Treasurer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The County Treasurer's Responsibilities

The County Treasurer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practice as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the County Treasurer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice or, disclosed any non-compliance.

The County Treasurer has also:

- kept proper accounting records that were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the statement of accounts on pages 14 to 52 present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

Mike Prince
County Treasurer
August 2003

These accounts were approved at the meeting of the County Council on the 11th November 2003, as part of the approvals process the draft version of these accounts were approved subject to audit at the Standards committee meeting held on the 4th September 2003.

Mrs Jane Scott
Leader of Wiltshire County Council
11th November 2003

Statement on the System of Internal Financial Control

This statement is given in respect of the Statement of Accounts for Wiltshire County Council for the year ended 31st March 2004. It acknowledges my responsibility for ensuring that the County Council maintains and operates an effective system of internal financial control.

Any internal financial control system can only provide a reasonable and not an absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Our internal financial control systems are based on a framework of financial regulations, contract regulations, financial procedure rules, administrative procedures (including segregation of duties), management supervision, regular management information and a system of delegation and accountability. The day to day maintenance of the systems is a responsibility for all managers within the Council.

In particular, our systems include:

- comprehensive and clearly defined revenue budget and capital expenditure guidelines
- regular preparation and review of financial reports which measure financial and other targets' performance against the forecasts

The Council is required by law to maintain an adequate and effective system of internal audit, which is provided by the Internal Audit Section of the Finance and IT Department. The main features are as follows:

- internal audit operates in accordance with current professional standards specified by CIPFA
- audit work is planned on the basis of a three-year overall strategy, linked to a risk assessment which prioritises the various services and activities to be audited over that period
- The Chief Auditor prepares an annual report on the performance and findings of internal audit, for the County Treasurer and the Standards Committee. This includes an independent opinion on the system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Council
- the work of the internal auditors as described above
- the external auditors in their annual audit letter and other reports

Based on the information available to me from the various sources referred to above, in my opinion, our internal financial control systems are effective and no significant weaknesses have been identified in the systems of internal financial control for the period covered by this Statement.

Mike Prince
County Treasurer
August 2003

Independent Auditor's Report to Wiltshire County Council

I have audited the financial statements on pages 9 to 42 and 45 to 52 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 to 13 and the Pension Fund accounts, on pages 45 to 52, which have been prepared in accordance with the accounting policies applicable to pension funds set out on pages 47 to 48.

This report is made solely to Wiltshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 5 the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the financial statements present fairly:

- the financial position of the Council and its income and expenditure for the year,
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

I review whether the statement on page 6 reflects compliance with the requirements of the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2002. I report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement on internal financial control covers all risks and controls, or to form an opinion on the effectiveness of the Authority's system of internal financial control. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant Auditing Standards issued by the Auditing Practices Board.

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

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

Opinion

In my opinion the financial statements present fairly the financial position of Wiltshire County Council as at 31 March 2003 and its income and expenditure for the year then ended.

In my opinion the financial statements present fairly the financial transactions of the Wiltshire Pension Fund during the year ended 31 March 2003, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

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

Signature:

Date:

J Steady
Audit Manager
Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SU

Statement of Accounting Policies

The general principles adopted in compiling the accounts of the County Council are in accordance with the recommendations of The Chartered Institute of Public Finance and Accountancy (CIPFA). They accord with CIPFA's Code of Practice on Local Authority Accounting 2000, and also with the guidance notes issued on the application of the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs), and Urgent Issues Task Force (UITF) abstracts as far as they are applicable. All are maintained on an historic cost basis. Any significant non-compliance is disclosed in the notes that follow.

Fixed Assets

These are valued as follows: -

<u>Type of Asset</u>	<u>Basis of Valuation</u>
Infrastructure assets	Should be shown at historic cost, less depreciation. In the absence of such information, the valuation at 1 April 1994 was based on the loans pool debt outstanding at that date. Expenditure incurred since is shown at historic cost, less depreciation.
Operational assets	Shown at either net current replacement cost or net realisable value based on existing use, depending on the type of asset.
Non-operational assets and surplus assets	Shown at either net current replacement cost or net realisable value, depending on the type of asset.

Fixed assets were originally valued on 1 April 1994 and since then have been re-valued on a four year rolling programme, with each district being re-valued once in each 4 year period. The valuation this year was carried out by the council's own valuers from the Environmental services department under the authorisation of the Urban Estates Manager, who is a Chartered Surveyor.

Treatment of Leases

The Council no longer has any finance leases in respect of equipment. Property lease rentals are charged directly to service revenue accounts.

Deferred Charges

These arise from expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example is capital expenditure on aided schools.

Basis of Charging for Capital

Service revenue accounts and trading accounts are charged annually with a capital charge for all fixed assets used. The Code of Practice requires that these capital charges include a provision for depreciation of the assets during the year and an interest charge comparable with the interest that could be earned on an investment of equivalent value to the assets. In order to comply with The Code of Practice 2002, depreciation is charged on buildings and equipment. Assets are written down to their deemed residual value over their useful economic life, on a straight-line basis. Useful economic life, in the case of buildings is determined by the valuers at revaluation, or in the case of equipment it is determined at the point of acquisition, in accordance with guidance issued in The Code of Practice 2002.

Internal Interest

Surplus monies arising from capital and revenue transactions may be utilised in lieu of borrowing from external sources. Memorandum interest on the average level of this internal borrowing is calculated by using the Local Authority 7-Day Notice Rate to enable an overall average borrowing rate to be calculated for the year.

Capital Receipts

Capital receipts from the disposal of assets, that have not been set aside for the redemption of debt or used to finance new capital expenditure, are held in the usable capital receipts reserve. In recent years the practice has been for 50% of usable capital receipts to be applied and for the reserve to have a nil balance. The policy from 1st April 2001 to 31st March 2004 is for all receipts that are not used to finance capital expenditure to be used to offset the funding shortfall in the Wiltshire Pension Fund, as agreed with the former Department of Transport, Local Authorities and the Regions (DTLR).

Debtors and Creditors

The accounts of the County Council are maintained on an accruals basis. Where actual amounts due are not known at the end of April, estimated amounts have been included. The only exceptions to this policy are schools, as described below. This policy is consistently applied each year and therefore does not have a material effect on this year's accounts.

For the first year since local management of schools, these accounts include schools' accounts on an accrual basis rather than the cash basis used in previous years.

Discontinued and Acquired Operations

Any operations discontinued or acquired during the year are shown separately on the consolidated revenue account.

Contingent Assets and Contingent Liabilities

No provision is made in the accounts for contingent assets or contingent liabilities where it is not practicable to estimate the amount involved or if there is considerable uncertainty over the possible outcome. However, where the amounts are likely to be material, the nature of the contingency is disclosed in a note to the accounts.

Exceptional Items, Extraordinary Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate unless they are so material that fairer representation of the accounts is given by separate disclosure. Extraordinary items are included on the face of the consolidated revenue account. Prior year adjustments are accounted for in the year that they are identified and will be included in the cost of the service to which they relate unless they are so material that fairer representation of the accounts is given by separate disclosure. These items are also disclosed in a note to the consolidated revenue account.

Stocks and Work in Progress

Stocks are generally valued at the lower of actual cost or net realisable value, which accords with the requirements of the Code of Practice and SSAP 9. An average or standard cost is applied to calculate the cost. Work in progress on any uncompleted jobs, where the actual or estimated valuation of the job exceeds £5,000, is taken into the accounts at cost. Adjustments are made for attributable profits less any foreseeable losses and any payments received or receivable.

Government Grants

Grants in respect of revenue expenditure are included in the accounts in the year in which the related expenditure was charged. SSAP 4 requires that grants in respect of capital expenditure be credited

to the revenue account over the useful life of the assets financed by those grants. Grants used to finance depreciable tangible assets since 1 April 1994 have been treated in accordance with SSAP 4. Prior to this, the Council did not comply with the standard to the extent that capital grants were used to reduce the cost of the assets; the resultant reduced annual charges to revenue were based on a period of approximately 25 years rather than the useful life of the assets.

Research and Development Expenditure

Research and development expenditure is written off in the year that it is incurred.

Cost of Support Services

All costs of a management and administrative nature have been fully recharged to all services in order to reflect the true cost of administering these services. The Corporate and Democratic Core is identified as a separate service, in accordance with CIPFA recommendations. This relates to costs that arise from the operation of the Council as a multifunction authority, which are not directly attributable to any one service. The basis of allocation used in 2002-03 was as follows: -

<u>Cost</u>	<u>Basis of Allocation</u>
Democratic Representation	Number of attendance's for each committee
Administrative Buildings	An accommodation charge based on floor area occupied, including depreciation on buildings. There is an additional postage charge based on actual recorded usage.
Professional Services	The Environmental Services Department charges professional fees to the capital and building maintenance programmes in accordance with national rates in use in the building industry.
Other Support Services	Charges are subject to service level agreements between the support services and the client departments.

Provisions

Provisions relate to liabilities, or losses, that are likely to be incurred but there is uncertainty as to the size and timing of those liabilities. Their purpose should be specific and should be charged to the revenue account of the service for which the expenditure would be incurred. The Provision for Credit Liabilities is slightly different and is explained below.

Provision for Credit Liabilities

Part IV of the Local Government and Housing Act 1989, which deals with the control of local authority capital expenditure and finance, requires local authorities to provide for credit liabilities arising from capital commitments, including the redemption of loan debt. A minimum annual provision has to be made from the revenue account, but the provision from capital receipts formerly required under the Act ceased from 1 September 1998. These transactions are part of the Capital Financing Reserve, but the provision for credit liabilities still needs to be disclosed as a memorandum account.

Provision for Bad and Doubtful Debts

Provisions in the balance sheet are at the Chief Officers' discretion, but where present are included at the CIPFA recommended levels unless otherwise stated.

