

AMESBURY BRADFORD ON AVON CALNE CHIPPENHAM CORSHAM DEVIZES DOWNTON MALMESBURY  
MARLBOROUGH MELKSHAM MERE PEWSEY SALISBURY TIDWORTH TISBURY TROWBRIDGE WARMINSTER  
WESTBURY WILTON WOOTTON BASSETT & CRICKLADE **WILTSHIRE'S COMMUNITY AREAS**

# Statement of Accounts

## 2007~2008



**Wiltshire**  
COUNTY COUNCIL

**improving life in Wiltshire**

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## ***Explanatory Forward***

### **Introduction**

The Statement of Accounts presents the overall financial position of the Authority for the year ended 31 March 2008. The accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with their Best Value Accounting Code of Practice.

#### **1 Explanatory Forward**

This section contains a review of the year and other general information about the accounts.

#### **2 Statement of Responsibilities, Issue and Approval Date**

This section details the financial responsibilities of the County Council and the Chief Financial Officer and confirms the date the accounts were authorised for issue and the date approved by the Final Accounts and Audit Committee.

#### **3 The Income and Expenditure Account**

This account brings together the money received and spent on all of the County Council's functions during 2007/08.

#### **4 Statement of Movement on the General Fund Balance**

This statement provides a reconciliation of the surplus or deficit on the Income and Expenditure Account to the balances held by the Authority.

#### **5 Statement of Total Recognised Gains and Losses**

This statement brings together all gains and losses not reported in the Income and Expenditure Account with the outturn on the Income and Expenditure Account to show the total movement in the Authority's net worth.

#### **6 Balance Sheet**

This shows Wiltshire County Council's financial position at 31 March 2008 – the end of the financial year 2007/08.

#### **7 The Cash Flow Statement**

This shows a summary of the cash flowing in and out of the County Council arising from its financial transactions.

#### **8 Accounting Policies**

The accounting policies and procedures adopted by the County Council are detailed in this section.

## **9 Notes to the Core Financial Statements**

These provide additional information to assist in the interpretation and understanding of the Authority's accounts.

## **10 Wiltshire Pension Fund Accounts**

This section contains extracts from the Wiltshire County Council Pension Fund Accounts.

## **11 Trust Funds**

This section contains details of endowment and trust funds administered by Wiltshire County Council.

## **12 Annual Governance Statement**

The annual governance statement, including the review of effectiveness, is detailed here.

## **13 Auditor's Report**

This is the External Auditor's report and opinion on the accounts.

## **14 Glossary**

A glossary of financial terms is provided to assist the reader.

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

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**The Year 2007/08**

The Council set a net revenue budget for the year 2007/08 of £231.808 million, which increased to £233.195 million following the approval of investment plans for rollovers of under spending in 2006/07. The Council's final outturn for the year was a net spend of £229.928 million a net underspend of £3.267 million compared to budget. The Income and Expense account shows a net loss of £13 million after adjustment for items required by statute to be included in the income and expense but excluded when determining the Movement on the General Fund balance for the year.

There are a number of technical changes to the Statement of Accounts deriving from changes in the Statement of Recommended Practice (SORP) for local authority accounting. These include changes to the way the assets revaluation and debt financing are shown in the accounts, although there is no net impact on the County Fund.

The table below summarises the outturn position compared to the approved budget.

Revenue account summary	2007/08 Original Budget £000	2007/08 Revised Budget £000	2007/08 Actual £000	2006/07 Actual £000
Operating Costs during the year	231,808	233,195	244,903	220,794
Income from government grant and local taxpayers	(231,808)	(231,808)	(231,929)	220,531
Withdrawals from balances	-	1,387	12,974	263
<b>County Fund balance at start of year</b>	<b>(7,808)</b>	<b>(7,808)</b>	<b>(7,808)</b>	<b>(7,632)</b>
Adjustment relating to SORP disclosure	-	-	(15,643)	(439)
<b>County Fund balance at end of year</b>	<b>(7,808)</b>	<b>(7,808)</b>	<b>(10,477)</b>	<b>(7,808)</b>

The County Fund balance at 31 March 2008 was £10.477 million and includes all underspending identified at the year end. In June 2008 the Cabinet have been asked to agree a net underspend of £2.969 million from 2007/08 should be made available to fund services in 2008/09. If this is agreed it will decrease the available balance to £7.509 million in 2008/09.

**Pension Fund**

The County Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with Financial Reporting Standard 17 "Retirement Benefits".

The Pension Fund liability is estimated to be £129.208 million using the Financial Reporting Standard 17 basis of valuation and the strategy is to have the fund balanced by 2020. In 2007/08 the County Council maintained its contribution at the rates advised by our actuaries, Hymans Robertson, at 13.5% of pensionable pay plus £6.6 million and also ensure that all liabilities in terms of early payment of benefits were met in full.

### **Capital**

The Council's capital investment for the year totalled £62.6 million with £27.7 million invested in Children's Services, £23.1 million on local transport infrastructure and the remaining £11.8 million mainly invested in Corporate and Adult and Community Services. The major sources of financing capital spending were from external borrowing £23.8 million, capital grants and contributions £32.1 million and capital receipts £4.8 million.

The Council borrows to pay for part of the capital programme within the borrowing limit approved by the County Council in February each year. Funds can be borrowed from the government via the Public Works Loans Board or the money market. As at 31 March 2008 long term borrowing was £185.2 million and an analysis of this is shown in note 32 to the accounts.

The Council's current capital investment programme covers a period from 1 April 2008 to 31 March 2011 and beyond and involves planned expenditure of £272.2 million funded by external borrowing of £83.9 million, capital grants and contributions of £148.9 million, capital receipts of £39.4 million.

### **Borrowing**

Borrowing during the year decreased by £7.160 million. A new Lender Option Borrower Option (LOBO) loan of £6 million was taken up to replace an existing LOBO loan at a more favourable rate of interest.

No new borrowing was taken from Public Works Loan Board (PWLB) during the year, however, PWLB loans of £5.415 million and a £6 million LOBO loan were repaid. The Statement of Recommended Practice (SORP) 2007 now requires accrued interest and amortisation to be incorporated in the carrying value of the loan. Loans raised during 2007/08 include £0.940 million relating to PWLB loans and £0.164 million for LOBO loans.

### **The Future**

From 1 April 2009 Wiltshire County Council will become a Unitary authority following the decision of the Department for Communities and Local Government to set up a new Unitary Council for the whole of Wiltshire. The Unitary Council will incorporate Wiltshire County Council, Kennet District Council, North Wiltshire District Council, Salisbury District Council and West Wiltshire District Council.

**Sandra Farrington**  
**Chief Financial Officer**

***Statement of Responsibilities for the Statement of Account***

**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 Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

**The Chief Financial Officer's Responsibilities**

The Chief Financial Officer 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 Chief Financial Officer 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 Chief Financial Officer 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 present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

**Sandra Farrington**  
**Chief Financial Officer**  
**Date 30 September 2008**

**Mrs Jane Scott**  
**Chairman Final Accounts and Audit Committee**  
**Date 30 September 2008**

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

***Income and Expenditure Account***

For the year ended 31 March 2008	Gross Spending 2007/08 £000	Gross Income 2007/08 £000	Net Spending 2007/08 £000	Restated Net Spending 2006/07 £000
<b>Service Expenditure Analysis</b>				
Central Services to the Public	1,664	(1,082)	582	1,150
Court Services	838	(325)	513	532
Cultural, Environment and Planning Services	35,626	(7,681)	27,945	29,081
Education Services	452,877	(365,967)	86,910	40,277
Highways, Roads and Transport Services	34,919	(7,240)	27,679	27,554
Housing Services	8,874	(8,672)	202	243
Social Services	131,679	(41,068)	90,611	112,041
Corporate and Democratic Core	6,513	(1,610)	4,903	5,756
Non Distributed Costs	801	-	801	1,173
<b>Net cost of services</b>	<b>673,791</b>	<b>(433,645)</b>	<b>240,146</b>	<b>217,807</b>
Loss/(gain) on the disposal of fixed assets			137	(4,484)
Trading account surpluses (-) and deficits			-	22
Interest payable and similar charges			7,504	9,654
Interest and investment income			(4,591)	(5,448)
Pension interest cost			28,061	25,205
Expected return on pension assets			(26,354)	(21,962)
<b>Net Operating Expenditure</b>			<b>244,903</b>	<b>220,794</b>
Council tax precept			(168,838)	(158,829)
General government grants			(8,938)	(9,805)
Contribution from Non-domestic rates			(52,538)	(51,073)
Transfers from (-) / to the Collection fund in respect of surpluses/deficits			(1,615)	(824)
<b>Deficit for the Year</b>			<b>12,974</b>	<b>263</b>

***Statement of Movement on the General Fund Balance***

As at 31 March 2008	Net Spending 2007/08 £000	Restated Net Spending 2006/07 £000
Deficit for the year on the Income and Expenditure Account	12,974	263
Net additional amount to be debited or credited to the General Fund balance	(15,643)	(439)
<b>Increase in General Fund balance for the year</b>	<b>(2,669)</b>	<b>(176)</b>
General Fund balance brought forward	(7,808)	(7,632)
<b>General Fund balance carried forward</b>	<b>(10,477)</b>	<b>(7,808)</b>

**Note:** None of the County Fund Balance is held by schools under local management schemes. Schools balances are held within earmarked reserves (see note 35 (f)).

**General Fund Balance Reconciliation**

As at 31 March 2008	Net Spending 2007/08 £000	Net Spending 2006/07 £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund balance for the year		
Depreciation and impairment of fixed assets	(10,575)	(10,905)
Loss on revaluation	(26,832)	-
Government Grants Deferred amortisation	1,751	1,884
Write downs of deferred charges to be financed from capital resources	(5,592)	(7,490)
Net (loss)/gain on sale of fixed assets	(137)	4,484
Capital expenditure charged to revenue	1,564	-
Net charges made for Retirement benefits FRS17	(20,002)	(24,045)
Employer contributions payable to the Pension Fund	22,027	20,125
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	(164)	-
	<b>(37,960)</b>	<b>(15,947)</b>
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year		
Statutory provision for repayment of debt	7,829	7,853
	<b>7,829</b>	<b>7,853</b>
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.		
Voluntary revenue provision for capital financing	1,040	1,376
Net transfer to or from earmarked reserves	13,448	6,279
	<b>14,488</b>	<b>7,655</b>
<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(15,643)</b>	<b>(439)</b>

**Statement of Total Recognised Gains and Losses**

As at 31 March 2008	2007/08 £000	2006/07 £000
Deficit for the year on the Income and Expenditure Account	12,974	263
Surplus arising on the revaluation of fixed assets	(52,905)	(7,590)
Actuarial gains on pension fund assets and liabilities	(13,804)	(42,046)
Other gains	(543)	(31,910)
<b>Total recognised gains for the year</b>	<b>(54,278)</b>	<b>(81,283)</b>

The impact of prior year adjustment on reserves has been to decrease the Capital Adjustment Account by £4.5 million and to reduce earmarked reserves by £5.9 million.

The 2007/08 opening balance sheet has been adjusted for transitional arrangements for premiums and discounts on financial instruments in respect of SORP 2007. The total value of the restatement was £327,674.

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

**Balance Sheet**

<b>Balance Sheet</b> As at 31 March 2008	<b>Note</b>	<b>2007/08</b> £000	<b>Restated</b> 2006/07 £000
<b>Fixed Assets</b>			
Intangible Fixed Assets	16	2,580	-
<b>Tangible Fixed Assets Operational Assets</b>			
Land and buildings	16	388,445	358,357
Vehicles and Equipment	16	6,590	6,313
Infrastructure assets	16	179,473	161,780
<b>Non-operational assets</b>			
Assets under Construction	16	5,887	1,805
Investment Properties	16	7,026	1,087
Surplus assets held for disposal	16	1,170	1,293
<b>Total Fixed Assets</b>		<b>591,171</b>	<b>530,635</b>
Long Term Debtors	25	6,702	5,776
Deferred premiums early repayment of debt		-	210
<b>Total Long Term Assets</b>		<b>6,702</b>	<b>5,986</b>
<b>Current Assets</b>			
Stocks and Work in Progress	26	211	229
Debtors	27	47,092	55,214
Short Term Investments	28	72,233	70,500
Cash in Hand	29	31,753	20,562
<b>Less Current Liabilities</b>			
Creditors	30	(83,903)	(70,334)
Cash Overdraw n	31	(8,181)	(7,907)
Long term loans maturing w ithin one year	32	(8,630)	(14,436)
<b>Current Assets less Current Liabilities</b>		<b>50,575</b>	<b>53,828</b>
Provisions	34	(3,142)	(3,346)
Long Term Borrow ing	32	(176,529)	(177,882)
Deferred Liability - Finance Leases	10	(601)	(432)
Government Grants Deferred		(43,082)	(24,139)
Capital Contribution		(11,633)	(9,638)
Liability related to defined benefit pension schemes	38	(129,208)	(145,037)
<b>Total Assets less liabilities</b>		<b>284,253</b>	<b>229,975</b>
<b>Financed by:</b>			
Revaluation reserve	35	52,485	-
Capital adjustment account	35	300,207	327,194
Usable Capital Receipts Reserve	35	71	2,786
Financial instruments adjustment account	35	(452)	-
Pensions Reserve	35	(129,208)	(145,037)
Earmarked Reserves	35	50,672	37,224
County Fund Balance	35	10,478	7,808
<b>Total Equity</b>		<b>284,253</b>	<b>229,975</b>

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

**The Cash Flow Statement for 2007/08**

	Note	2007/08 £000	Restated 2006/07 £000
<b>Revenue Activities</b>			
<b>Cash Outflows</b>			
Cash paid to and on behalf of employees		304,165	290,032
Other operating costs		323,244	319,939
<b>Total cash outflows</b>		<b>627,409</b>	<b>609,971</b>
<b>Cash Inflows</b>			
Council tax income		(170,453)	(159,653)
Non-domestic rates receipts		(52,660)	(51,073)
Revenue Support Grant		(8,817)	(9,805)
Other government grants		(351,551)	(323,133)
Cash received for goods and services		(82,094)	(78,218)
<b>Total cash inflows</b>		<b>(665,575)</b>	<b>(621,882)</b>
<b>Net cash inflow from revenue activities</b>	40	<b>(38,166)</b>	<b>(11,911)</b>
<b>Returns on Investments and Servicing of Finance</b>			
<b>Cash Outflow s</b>			
Interest paid		7,435	9,654
Interest element of finance lease rental payments		69	
<b>Cash Inflows</b>			
Interest received		(4,591)	(5,448)
		<b>2,913</b>	<b>4,206</b>
<b>Capital Activities</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets		62,381	49,671
<b>Cash Inflows</b>			
Sale of fixed assets		(2,693)	(6,228)
Capital grants received		(33,512)	(13,420)
Other capital cash receipts		(7,712)	(1,819)
		<b>18,464</b>	<b>28,204</b>
Management of Liquid Resources		1,733	(1,250)
<b>Net cash (inflow) / outflow before financing</b>		<b>(15,056)</b>	<b>19,249</b>
<b>Financing</b>			
<b>Cash Outflow s</b>			
Repayment of amounts borrow ed		20,523	63,734
Capital element of finance lease rental payments		19	
<b>Cash Inflows</b>			
New loans raised		(9,300)	(59,640)
New short term loans		(7,103)	(12,050)
		<b>4,139</b>	<b>(7,956)</b>
<b>(Increase)/Decrease in cash</b>	41	<b>(10,917)</b>	<b>11,293</b>

## ***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. It has been prepared in accordance with the 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.

### **2 Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and 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 revenue for the income that might not be collected.

### **3 Provisions**

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

Provisions are 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 for 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 (e.g. 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 appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

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

#### **5 Government Grants and Contributions (Revenue)**

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

#### **6 Retirement Benefits**

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).
- The Local Government Pensions Scheme, administered by Wiltshire County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Wiltshire pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on high quality corporate bond iBoxx Sterling Corporates Index, AA over 15 years).
- The assets of the Wiltshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – mid-market value;
  - unquoted securities – professional estimate;
  - unitised securities – average of the bid and offer rates;
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to Net Operating Expenditure in the Income and Expenditure Account.
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
  - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
  - gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Statement of Total Recognised Gains and Losses.
  - contributions paid to the Wiltshire pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

## **7 VAT**

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

## **8 Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

## **9 Intangible Fixed Assets**

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

## **10 Tangible Fixed Assets**

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

**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 asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

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

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

Net current replacement cost is assessed as:

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

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

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

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

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

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

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the

carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

**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.
- Vehicles, plant and equipment – straight-line allocation over the life of the asset, as advised by a suitably qualified officer.
- Infrastructure – straight-line allocation over 60 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.

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

## **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 in 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). 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 Leases**

### **Finance leases**

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable);
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### **Operating leases**

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

## **14 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.

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

## **15 Financial Assets**

### **Loans and receivables**

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

When soft loans are made, (loans which for legitimate policy reasons are made at less than market value, for example, loans to staff, other public bodies or the voluntary sector) a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of these loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain 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. We have reviewed such loans and do not consider the impact of the loans on the accounts material.

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

Any gains and losses that arise when the loan finishes or is written off the balance sheet are credited/debited to the Income and Expenditure Account.

## **16 Stocks and Work in Progress**

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

## **17 Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Council under a contract are generally charged to revenue to reflect the value of services received in each financial year.

### **Prepayments**

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down (charged) to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on council tax or rents.

Dowry payments, made at the start of the contract, which result in lower unitary payments over the life of the contract are accounted for by setting up the contribution (dowry) as a prepayment for services receivable and writing the balance down to revenue over the life of the contract as services are received to reflect their real cost.

### **Reversionary interests**

The Council has passed control of certain land and buildings over to the PFI contractor, but this property will return to the Council at the end of the scheme (reversionary interests). An assessment has been made of the net present value that these assets will have at the end of the scheme (unenhanced) and a reversionary interest asset has been created in the Council's Balance Sheet.

As the asset is stated initially at net present value, over the life of the scheme, the discount will need to be unwound by earmarking (decreasing) part of the unitary payment to ensure the reversionary interest is recorded at current prices when the interests revert to the Council.

### **Residual interests**

Where assets created or enhanced under the PFI scheme are to pass to the Council at the end of the scheme at a cost less than fair value, an amount equal to the difference between the fair value and the payment to be made at the end of the contract is built up as a long term debtor over the contract life by reducing the amount of the unitary payment charged to revenue.

### **PFI credits**

Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

## **18 Endowment and Trust Funds**

The County Council administers 15 such funds. They mostly consist of small sums received from private individuals which have been invested by the County Council in order to provide an annual income. Two of the funds are of significant size and three others exceed £100,000. They do not form part of the County Council's accounts, but are shown on page 65.

## **19 SORP 2007 Changes**

Where the County Council changes its accounting policy, or introduces a new accounting policy where previously there was no requirement for a policy, the accounts for the previous year are amended for that change and the comparative figures in the current year's accounts are changed to reflect the new or improved policy. Where this change affects the Income and Expenditure Account or Statement of Movement on County Fund Balance, the effect on the County Council's operating performance is shown.

The date of transition to the new FRS25, FRS26 and FRS29 based financial instruments requirements of the 2007 SORP is 1 April 2007. This is a change in accounting policy resulting in an adjustment between the closing Balance Sheet for 2006/07 and the re-stated opening Balance Sheet on 1 April 2007, which has been treated as a prior period adjustment. However, in accordance with the SORP, comparative information has not been re-stated and the prior period adjustment has been disclosed as a total amount (see the Statement of Total Recognised Gains and Loss and note 14).

For the implementation of the Revaluation Reserve, the 2007 SORP specifies that only prior period adjustments for the new balances are made. The balance on the Revaluation Reserve has been shown as nil at 31 March 2007 and the balance on the Capital Adjustment Account has been shown as the combined total of the Fixed Asset Restatement Account and Capital Financing Account (see note 34 (a) and (b)).

**Notes to the Core Financial Statements**  
**Notes to the Income and Expenditure Account**

**1 Publicity Expenditure**

Expenditure on publicity, as defined by the Local Government Act 1986, is shown below:

	2007/08 £000	2006/07 £000
Recruitment advertising	1,239	1,215
Statutory notices	349	412
Communications unit	453	362
Publicity for services provided	1,030	787
<b>Total</b>	<b>3,071</b>	<b>2,776</b>

**2 Local Authority (Goods and Services) Act 1970**

This Act provides for public bodies to provide goods and services to one another on a trading basis. In 2007/08 the County Council's income from the activities covered by the Act was as follows:

	Income 2007/08 £000	Associated Expenditure 2007/08 £000	Income 2006/07 £000	Associated Expenditure 2006/07 £000
Other Local Authorities	814	614	541	549
Police Authority	291	97	226	30
Fire Authority	48	-	59	-
Other Public Bodies (including Parish Councils)	773	389	626	24
<b>Total</b>	<b>1,926</b>	<b>1,100</b>	<b>1,452</b>	<b>603</b>

**3 Members Allowances**

The total allowances paid to elected members during 2007/08 were £0.651 million. (2006/07 £0.584 million).

**4 Officers Emoluments**

The Accounts and Audit Regulations require disclosure of the numbers of officers whose remuneration in 2007/08 exceeded £50,000, analysed into bands of £10,000:

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	Number of employees 2007/08	Number of employees 2006/07
£150,000 - £159,999	-	1
£140,000 - £149,999	1	1
£130,000 - £139,999	-	-
£120,000 - £129,999	1	1
£110,000 - £119,999	3	-
£100,000 - £109,999	-	-
£90,000 - £99,999	5	2
£80,000 - £89,999	12	4
£70,000 - £79,999	18	16
£60,000 - £69,999	29	27
£50,000 - £59,999	74	69
<b>Total</b>	<b>143</b>	<b>121</b>

## 5 Related Party Transactions

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

**Central government** has effective control over our general operations – it is responsible for providing the statutory framework within which we operate, provides the majority of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties. Details of transactions with government departments are set out in note 43.

**Members of the Council** have direct control over the Council's financial and operating policies. If a Member declares an interest in a transaction which involves the Council, these transactions are recorded in the Register of Members' Interests, open to public inspection at County Hall, Trowbridge.

**Officers** – under the requirements of the Local Government Act 2000, the Council has developed a Code of Conduct for officers and established a Register of Officers interests.

**Pension fund** – during the financial year the pension fund had an average overdrawn balance of £0.9 million with the Council. The Council paid the fund a total for interest of £150,000 on these deposits. The Council charged the fund £0.77 million for expenses incurred in administering the fund.

During 2007/08 various County Councillors were also members of district, parish or town councils, police bodies and other bodies. Significant payments made to these bodies by Wiltshire County Council are listed below:

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	2007/08	2006/07
	£000	£000
Age Concern	412	389
Amesbury Town Council	17	12
Care Ltd	733	1
Community First	619	294
Devizes Town Council	56	41
Kennet District Council	851	2,031
North Wiltshire District Council	4	541
Salisbury and South Wiltshire Museum	109	39
Salisbury District Council	849	1,234
Salisbury Playhouse	25	50
Tidworth Development Trust	101	64
Trowbridge Town Council	32	25
West Wiltshire District Council	1,370	413
West Wiltshire Housing Society	995	1,091
Wiltshire and Swindon Fire Authority	84	-
Wiltshire Police Authority	1,401	2,711
Wiltshire Wildlife Trust	200	193
<b>Total</b>	<b>7,858</b>	<b>9,129</b>

**6 Joint Arrangements**

**Areas of Outstanding Natural Beauty (AONB)**

Wiltshire County Council has the responsibility for the management of staff, offices and accounts for two AONB : Cranborne Chase & West Wiltshire Downs and North Wessex Downs. 75% of the costs for each of these areas are funded by the Natural England Agency and the remaining 25% by the local authorities within the AONB's boundary.

In addition Wiltshire County Council has contributed to the running costs of The Cotswolds AONB, this is run by an independent body; The Cotswolds AONB Conservation Board.

The running cost in 2007/08 for Cranborne Chase & West Wiltshire Downs was £0.255 million. Wiltshire County Council contributed £20,251 in 2007/08 for core costs. The other local authorities involved are Dorset County Council, East Dorset District Council, Hampshire County Council, Mendip District Council, New Forest District Council, North Dorset District Council, Salisbury District Council, Somerset County Council, South Somerset District Council and West Wiltshire District Council.

The running costs in 2007/08 for North Wessex Downs were £0.332 million. Wiltshire County Council contributed £8,985 in 2007/08 for core costs. The other authorities involved are Basingstoke District Council, British Waterways, Hampshire County Council, Kennet District Council, North Wiltshire District Council, Oxfordshire County Council, South Oxfordshire District Council, Swindon Borough Council, Test Valley District Council, Vale of White Horse District Council and West Berkshire District Council.

The running costs in 2007/08 for The Cotswolds AONB in their draft final accounts were approximately £1.552 million. Wiltshire County Council contributed £7,531 during the year. The other authorities involved are Bath & North East Somerset District Council, Cheltenham Borough Council, Cherwell District Council, Cotswold District Council, Gloucestershire County Council, Oxfordshire County Council, North Wiltshire District Council, South Gloucestershire District Council, Stratford upon Avon District Council, Stroud District Council, Tewkesbury Borough Council, Warwickshire County Council,

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West Oxfordshire District Council, Wychavon District Council, West Wiltshire District Council and Worcestershire County Council.

### **Kennet & Avon Canal**

The Council is in a partnership arrangement with British Waterways to fund maintenance and enhancements to the Kennet & Avon Canal. All local authorities through which the canal passes contribute to the maintenance of the canal, and for 2007/08 Wiltshire County Council made an annual contribution of £84,951. The contribution will continue at this rate plus inflation until 2017. British Waterways in conjunction with the Kennet & Avon Canal Trust will allocate this money to enhance the tourism and environmental benefits of the canal.

### **Cotswold Water Park**

The Council, in partnership with Cotswold District Council, Gloucester County Council, Swindon Borough Council and North Wiltshire District Council, form the Cotswold Water Park Joint Committee. The Council contributed £36,600 in 2007/08 to the committee, who in turn provides funding to The Cotswold Water Park Society (a charitable company which manages the park area and its facilities). The Society is developing the water park area to provide improved tourism and a better natural environment.

### **Rural Renaissance**

The Rural Renaissance programme is a regional funding programme, operated by the South West of England Regional Development Agency (RDA), targeted at the economic regeneration of the South West region. The RDA delegate responsibility for the delivery of the programme to various sub-regional partnerships across the South West. Wiltshire County Council has taken the role of accountable body for the delivery of the Rural Renaissance Programme in the sub-region of Wiltshire and Swindon. This means that Wiltshire County Council is responsible for ensuring the appropriate use of Rural Renaissance Funds in the Wiltshire and Swindon area. £1.630 million funding was received in 2007/08. Progress is reported quarterly to the RDA.

### **Care in the Community**

Care in the Community Joint Funded Placements with the Primary Care Trust (PCT) exists for Learning Disability clients and a contract is now in place for 2007/08. The value paid by the PCT for 2006/07 was £8.483 million. This reduced in 2007/08 to £8.206 million.

### **Intermediate Care**

Integrated Management and Intermediate Care were S31 Pools, hosted by the Primary Care Trust (PCT) in 2005/06. The pools ceased at the end of 2005/06 financial year. In 2006/07 a new Intermediate Care S31 Agreement (31 March 2006 to 31 March 2009) with regards Community Support Workers with the Primary Care Trust is in place. This is not based on a specific monetary contribution but a number of workers to work with Health in a joint arrangement capacity. The value paid for 2006/07 was £0.748 million. This increased to £0.861 million in 2007/08.

### **Wiltshire and Swindon Connexions Service**

From 1 October 2004 Wiltshire County Council became the lead body for the Connexions Service which contracts with a number of providers to provide a range of services to young people aged 14-19. There is no revenue contribution from the County Council and the Connexions service is 100% grant funded by the DCSF, this was £5.7

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million in 2007/08. All management and administration costs incurred by the County Council are charged to the Connexions budget.

Wiltshire County Council also continues to act as a provider for some of these services and thus received grant from Connexions of £0.57 million in 2007/08 for those direct services. Again, there is no revenue contribution from the County Council, however, there is a considerable "in-kind" cost arising from this element of the service. The majority of this cost relates to staff and premises of statutory service teams within the Department for Children and Education.

**7 Audit Costs**

During 2007/08 Wiltshire County Council incurred the following fees in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998:

	2007/08 £000	2006/07 £000
Fees payable auditors with regard to external audit service	227	238
Fees paid to auditors with regard to the certification of grant claims and returns	25	32
Fees paid to the Audit Commission in respect of statutory inspection	15	13
<b>Total</b>	<b>267</b>	<b>283</b>

**8 Dedicated Schools Grant**

Spending on schools is mainly funded by grant monies provided by the Department for Children, Schools and Families (DCFS) through the Dedicated Schools Grant (DSG). The DSG grant is ring-fenced and can only be used to meet expenditure properly included in the schools budget.

Details of the DSG receivable in 2007/08 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000	2006/07 £000
Original grant allocation to Schools Budget	(31,678)	(196,199)	(227,877)	(216,205)
Adjustment to finalised grant allocation	(426)	-	(426)	289
<b>DSG receivable for the year</b>	<b>(32,104)</b>	<b>(196,199)</b>	<b>(228,303)</b>	<b>(215,916)</b>
Budget adjustments through year	398	(333)	65	-
Final DSG budget	(31,706)	(196,532)	(228,238)	-
Actual expenditure for the year	31,520	196,533	228,053	215,473
<b>Underspend carried forward to 2008/09</b>	<b>(186)</b>	<b>1</b>	<b>(185)</b>	<b>(443)</b>

**9 Pooled Budgets**

An agreement between Primary Care Trusts and Wiltshire County Council established a pooled Fund in 2004/05 in relation to Aids and Adaptations. The objectives of this pool are to provide efficiencies between Health and Social Services in the use of aids and adaptations and economies of scale.

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The PCTs merged on 1 October 2006 and a new S31 agreement exists, replacing the three separate S31 agreements. The pooled budget is administered by Wiltshire County Council on behalf of the Wiltshire PCT.

	Gross Expenditure £ million	Gross Income £ million
<b>Integrated Community Equipment Services</b> Wiltshire Pool	1.981	2.002
	<b>1.981</b>	<b>2.002</b>

Wiltshire County Council made a contribution of £0.664 million towards the pooled budget in 2007/08. Under spends owed to the pool parties (Wiltshire County Council £7,000 and PCT £14,000) will be carried forward into 2008/09.

**10 Finance leases rentals**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and establishes the 90% test comparing the present value of the minimum lease payments to the fair value of the leased asset.

Rentals paid and future obligations in respect of finance leases are listed below:

<b>Rentals paid</b>	<b>2007/08</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2006/07</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts payable w ithin the next year	17	69	11	56
Amounts payable w ithin the second to fifth years	67	276	37	224
Aggregate amounts payable thereafter	517	2,893	384	2,708
<b>Total</b>	<b>601</b>	<b>3,238</b>	<b>432</b>	<b>2,988</b>
Land and buildings	601	3,238	432	2,988

Future obligations under finance leases are listed below:

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/15</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Corporate leases	88	86	86	429

**11 Operating lease rentals**

An operating lease is a lease that is not a finance lease (see above). Rentals paid in respect of operating leases are listed below:

	<b>07/08</b>
	<b>£000</b>
Amounts payable w ithin the next year	823
Amounts payable w ithin the second to fifth years	730
Aggregate amounts payable thereafter	
<b>Total</b>	<b>1,553</b>

## **12 PFI payments**

### **Introduction**

In October 2000 the Council entered into a Private Finance Initiative with White Horse Partnership to procure three new secondary schools. All three schools have been constructed and are operational. White Horse Partnership will maintain and operate the facilities for 30 years from the date the first school became operational in March 2002.

### **Accounting treatment**

The Wiltshire County Council PFI agreement transfers the balance of risk and reward of ownership of the schools to the PFI operator. The PFI payments are recorded as an operating expense within the net cost of services in the Income and Expenditure Account. PFI payments are accounted for in the year in which the service was provided.

### **Funding**

The funding for this payment will come from the Council's own resources and a special government grant called a PFI credit. Over the life of the PFI project, the Council will receive PFI credits of £38.6 million. It is the Council's policy to appropriate any surplus of PFI credits to an earmarked PFI sinking fund reserve. The amount of Government funds required to support the PFI contract for a particular year is then appropriated back to the revenue account.

### **Capital contributions**

These contributions to the PFI are retained in the Council's Balance Sheet as a prepayment and are amortised to revenue in equal instalments over the life of the project.

### **Fair value of asset at end of PFI term**

A residual interest asset will be built up in the Balance Sheet as a long term debtor in equal instalments over the life of the PFI. This is to reflect the expected fair value of the assets that will transfer to the Council at the end of the PFI contract.

### **Land**

The land owned by the authority at the three schools valuing £9.6 million has been leased to WHEP as part of the contract. A capital contribution of £2.2 million was made to the project by way of a cash payment in 2001/02, with a further payment of £4.5 million in 2005/06 when the surplus land at Malmesbury was sold.

### **PFI Smoothing Fund**

This represents the excess of government grant over expenditure to date in respect of the Schools PFI. This is being carried forward to meet future years' commitments under the PFI contract.

### **Income and Expense**

Payments are made to the PFI contractors as monthly 'unitary payments'. These payments are commitments and can vary subject to indexation, reductions for performance and availability failures. Possible future variations to the scheme as elements are added to or taken away from the scheme.

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The funding of the unitary payment will come from the individual schools budget, the overall Schools Budget and a special government grant.

As at 31 March 2008 payments totalling £36.9 million have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Year	07/08 £ m	06/07 £ m
2007-08	6.1	4.8
2008-09 to 2012-13	26.9	25.1
2013-14 to 2017-18	28.6	26.9
2018-19 to 2022-23	30.6	28.8
2023-24 to 2027-28	32.8	31.1
2028-29 to 2031-32	27.7	26.2
<b>Total</b>	<b>152.7</b>	<b>142.9</b>

Over the life of the PFI project the Council will receive government grants of £107 million.

### 13 Local Area Agreement Grant

The Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA has completed the first year of its three year agreement.

The purpose of the LAA is:

- To form an agreement between the Wiltshire County Council and other external agencies.
- To ensure that together we achieve the 2007/08 vision to create stronger and more sustainable communities in Wiltshire.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Wiltshire by pooling and aligning funding streams.

The Wiltshire Strategic Board (WiSB) includes representatives from County, town, parish and District Councils, district local strategic partnerships, Police, Fire and Rescue, Probation, Learning and Skills Council, health, faith groups and the business and voluntary sectors.

Wiltshire County Council acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but the Council does not determine which bodies are due payments – this is determined either by the Government Office or the partnership and has therefore not recognised the full amount of LAA Grant in its financial statements, but only that part to be spent by the Council in providing services.

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The total amount of LAA grant received by the local strategic partnership in 2007/08 is £4.2 million. The Council received £3.4 million of this total to fund its own services.

As an accountable body, the Council is potentially responsible for repaying the Government any element of grant that is found to have been misused by partners. Systems are in place for distributing the grant which are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

**Notes to the Balance Sheet**

**14 Restatement of 2006/07 Accounts**

The 2006/07 figures shown in the balance sheet are restated due to a material error in 2006/07 in relation to land for PFI buildings, earmarked reserves (government grants unapplied) and a requirement in the 2007 SORP in relation to financial instruments.

The capital accounting 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 10). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £118.7 million on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£208.4 million balance) to form the new Capital Adjustment Account with an opening balance of £327.2 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.

<b>Balance Sheet As at 31 March 2008</b>	<b>Restated 2006/07 £000</b>	<b>Required by SORP 07 £000</b>	<b>Prior Year Adjustment £000</b>	<b>Published 2006/07 £000</b>
<b>Fixed Assets</b>				
Intangible				
Land and buildings	358,357	-	4,503	353,854
Vehicles and Equipment	6,313	-	-	6,313
Infrastructure assets	161,780	-	-	161,780
Non-operational assets	4,185	-	-	4,185
<b>Total Fixed Assets</b>	<b>530,635</b>		<b>4,503</b>	<b>526,132</b>
<b>Less Current Liabilities</b>				
Creditors	70,334	-	5,590	64,744
Cash Overdraw n	7,907	-	-	7,907
Long term loans maturing w ithin one year	14,436	-	-	14,436
<b>Total Current Liabilities</b>	<b>92,677</b>		<b>5,590</b>	<b>87,087</b>
<b>Financed by:</b>				
Revaluation reserve	-	-	-	-
Capital adjustment account	327,195	327,195	-	-
Fixed Asset Restatement Account	-	(118,746)	4,503	114,243
Capital Financing Account	-	(208,449)	-	208,448
Earmarked Reserves	37,224	-	(5,590)	42,814

There is a prior period adjustment relating to the transitional arrangements for premiums and discounts on financial instruments as per SORP 2007. Please note, SORP 2007 specifically states that "the change is a change in accounting policy and any resulting adjustment between the closing Balance Sheet for 2006/07 and the restated opening

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Balance Sheet on 1 April 2007 should be treated as a prior period adjustment. However, comparative information should not be restated to comply with the 2007 SORP rather, the opening Balance Sheet adjustment arising from the prior period adjustment should be disclosed as a total amount."

Income and expense As at 31 March 2008	Restated 2006/07 £000
Movement on General Fund	(38)
Write off/merger of premiums/discounts	(117)
Adj to Loan Carrying Values	(173)
Statutory Financial Instrument Adjustment	328

**15 Statement of Movement on the General Fund**

The reconciliation details the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The Council is required to raise council tax on a different accounting basis and movements relate to items included or excluded by statute when determining the amount to be met from local taxation in the year.

**16 Movement on Fixed Assets**

	Land and buildings £000	Vehicles & Equipment £000	Infra- structure assets £000	Non operational assets £000	Intangible assets £000	Total £000
<b>Gross Book Value 1 April 2007</b>	367,464	13,011	182,592	4,185	-	567,252
Expenditure in year	14,718	2,726	21,228	6,477	2,580	47,729
Disposals in year	(2,700)	(247)	-	(53)	-	(3,000)
Revaluations relating to economic gain	47,884	-	-	3,544	-	51,428
Revaluations relating to economic loss	(27,401)	-	-	(70)	-	(27,471)
<b>Gross Book Value 31 March 2008</b>	<b>399,965</b>	<b>15,490</b>	<b>203,820</b>	<b>14,083</b>	<b>2,580</b>	<b>635,938</b>
Depreciation to 1 April 2007	(9,107)	(6,698)	(20,812)	-	-	(36,617)
Depreciation for year	(4,526)	(2,514)	(3,535)	-	-	(10,575)
Depreciation written off upon revaluation relating to economic loss	636	-	-	-	-	636
Depreciation written off upon revaluation relating to economic gain	1,477	-	-	-	-	1,477
Depreciation written off upon disposal	-	312	-	-	-	312
						-
Depreciation to 31 March 2008	(11,520)	(8,900)	(24,347)	-	-	(44,767)
						-
<b>Net Book Value 31 March 2008</b>	<b>388,445</b>	<b>6,590</b>	<b>179,473</b>	<b>14,083</b>	<b>2,580</b>	<b>591,171</b>
<b>Net Book Value 31 March 2007 restated</b>	<b>358,357</b>	<b>6,313</b>	<b>161,780</b>	<b>4,185</b>	<b>-</b>	<b>530,635</b>

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<b>Non-Operational assets</b>	<b>Investment Properties</b>	<b>Assets under Construction</b>	<b>Surplus asset held for disposal</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Certified valuation at 31 March 2007	1,087	1,805	1,293	4,185
Accumulated depreciation and impairment	-	-	-	-
<b>Net book value of assets at 31 March 2007</b>	<b>1,087</b>	<b>1,805</b>	<b>1,293</b>	<b>4,185</b>
<b>Movement in 2007/08</b>				
Additions	2,395	4,082	-	6,477
Disposals	-	-	(53)	(53)
Revaluations	3,544	-	(70)	3,474
<b>Net book value of assets at 31 March 2008</b>	<b>7,026</b>	<b>5,887</b>	<b>1,170</b>	<b>14,083</b>

<b>Intangible assets</b>	<b>Purchased software licence</b>	<b>Development expenditure</b>	<b>Total</b>
	<b>2007/08</b>	<b>2007/08</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April 2007</b>	-	-	-
Expenditure in year	1,914	666	2,580
<b>Balance at 31 March 2008</b>	<b>1,914</b>	<b>666</b>	<b>2,580</b>

The intangible asset is the SAP software licence and associated development expenditure. The licence and development expenditure will be depreciated over 6 years from 2008/09 which is the estimated life of the project. There was no depreciation charge in 2007/08.

**Foundation Schools**

The School Standards and Framework Act 1998 changed the status of Grant Maintained schools to Foundation Schools maintained by the Local Education Authority. The change for funding purposes took effect from 1 April 1999. Fixed Assets and Long Term Liabilities remain vested in the Governing Bodies of individual foundation schools and therefore values and amounts have not been consolidated in this balance sheet. In this authority's area there are 23 foundation schools.

**17 Significant Commitments under Capital Contracts**

The value of significant commitments under capital contracts, in which amounts of greater than £100,000 are contracted to be paid after 31 March 2008, was £40.7 million. Included in this amount are the following major items:

<b>Description</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£million</b>	<b>£million</b>
Melksham Oak School	21.5	
SAP licences and development	10.6	
Other school construction projects	3.2	4.1
Malmsbury Primary School		3.0
Pembroke Park/ Fisherton/ Highbury Secondary Schools	2.9	
Continuing Maintenance Costs for Wiltshire & Swindon History Centre	0.1	

## 18 Summary of Capital Expenditure

		Total 2007/08 £000	Total 2006/07 £000
<b>Capital expenditure</b>			
Environmental Services	County Farms	888	1,510
	Gypsy Sites	9	-
	Highways	23,091	20,441
	Other	3,966	811
Children and Education		27,481	18,995
Central services		3,843	1,796
Adult and Community Services	Libraries	1,208	5,030
	Other	2,081	1,086
<b>Total capital expenditure</b>		<b>62,567</b>	<b>49,669</b>

## 19 Financing and Capital Expenditure

		2007/08 £000	2006/07 £000
<b>Opening capital financing requirement</b>		<b>188,249</b>	<b>186,668</b>
Opening balance adjustment		693	-
Capital investment	Operational Assets	43,400	32,278
	Non Operational Assets	4,082	1,805
	Assets written-off	10,812	8,098
	Deferred Charges	5,592	7,490
Sources of finance	Government Grants and Contributions	(32,115)	(15,239)
	Capital Receipts	(5,222)	(9,549)
	Transfer from Capital Reserve	(1,878)	(1,073)
	Minimum Revenue Provision	(7,829)	(7,853)
	Voluntary Revenue Provision	(1,041)	(1,376)
	Transfer of Debt to Swindon BC	-	(11,877)
	Assets purchased through Revenue	(1,319)	(1,123)
<b>Closing Capital Financing Requirement</b>		<b>203,424</b>	<b>188,249</b>
<b>Explanation of movements in year</b>			
Increase in underlying need to borrow (supported by Government financial assistance)		8,178	1,063
Increase in underlying need to borrow (unsupported by Government financial assistance)		6,304	904
<b>Increase in Capital Financing Requirement</b>		<b>14,482</b>	<b>1,967</b>

## 20 Deferred Charges

The Deferred Charges represent capital expenditure on school buildings (Voluntary Aided, Voluntary Controlled and Foundation schools) which the County Council does not own and hence do not appear within Fixed Assets.

Deferred Charges				
	Balance 31 Mar 08 £000	Expenditure in year £000	Charged to revenue in year £000	Balance 1 Apr 07 £000
2007/08	-	5,592	(5,592)	-
2006/07	-	7,490	(7,490)	-

## 21 Statement of Physical Assets

This statement indicates the broad categories of fixed assets owned by the County Council.

	Note:	2007/08	2006/07
Land (hectares)		2664.763	2,763
Buildings (numbers)	1		
Primary Schools		164	167
Secondary Schools		10	10
Special Schools		6	6
Adult Education Centre		1	1
Youth and Community		18	17
Sports and Leisure		7	7
Administrative		22	22
Adult and Community Services		35	38
Libraries		16	15
Gypsy Sites		5	5
Highways Depots		15	15
County Farms		43	43
Roads (km)	2		
Principal County Roads		574	574
Other County Roads		3,836	3,830
Vehicles, Plant and Equipment (numbers)	3		
- Vans		10	7
- Lorries		27	24
- Kerbside Collectors		33	24
- Land Rovers		7	7
- Mobile Libraries		5	4
- Mini Buses		73	56
- Cars		5	1
- Gritters		51	49

1 All schools (including Voluntary Aided and Voluntary Controlled Schools) have been included where the County Council owns either the playing fields, some mobiles, or both, even where the total value of assets at a site is less than £50,000. Buildings included above (except those schools referred to above) are those valued at £50,000 or more.

2 These figures do not include motorways or trunk roads as these are maintained by the Highways Agency.

3 The figures above show only non-school building assets valued at more than the "de minimus" value of £10,000.

## 22 Assets under Finance Leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and establishes the 90% test comparing the present value of the minimum lease payments to the fair value of the leased asset.

In accordance with SSAP 21 the leased assets are included on the fixed asset register in the categories listed below:

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	2007/08 Gross book value £000	2007/08 Cumulative depreciation £000	2007/08 Net book value £000	2007/08 Depreciation in year £000	2006/07 £000
Land and buildings	2,135	(145)	1,990	(52)	623

**23 Assets recognised under a PFI arrangement**

The County Council has provided three secondary schools under the terms of a PFI Contract. The contract transfers the balance of risk and reward of ownership of the schools to the PFI operator and therefore the assets are not recorded on the Wiltshire County Council asset register.

**24 Valuation of fixed assets**

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by Bruton Knowles, Chartered Surveyors. The basis for valuation is set out in the statement of accounting policies.

	Land and buildings 2007/08 £000	Vehicles and Equipment 2007/08 £000	Infra structure 2007/08 £000	Investment properties 2007/08 £000	Intangible assets 2007/08 £000	Total 2007/08 £000
<b>Valued at historic cost</b>	-	12,764	182,592	-	-	195,356
<b>Valued at current value in:</b>						
2007-08	109,102	2,726	21,228	-	2,580	135,636
2006-07	89,724	2,185	18,842	-	-	110,751
2005-06	103,114	-	-	-	-	103,114
2004-05	60,020	-	-	-	-	60,020
2003-04	139,503	-	-	313	-	139,816

**25 Long Term Debtors**

An analysis of long term debtors is as follows:

	2007/08 £000	2006/07 £000
Car loans to staff	7	21
Adaptation Loans	30	42
Private Finance Initiative (PFI)	6,665	5,713
<b>Total</b>	<b>6,702</b>	<b>5,776</b>

The PFI debtor is built up over the life of the asset to reflect the value of the asset to be transferred to the Council at the end of the contract in March 2032.

## 26 Stocks and Work in Progress

Details of the stocks held are shown below:

Stock and work in progress	2007/08 £000	2006/07 £000
Environmental Services	184	213
Children and Education	13	10
Department of Resources	14	6
<b>Total</b>	<b>211</b>	<b>229</b>

## 27 Debtors

These represent sums owed to the County Council for supplies and services provided before 31 March 2008 but not received at that date.

	2007/08 £000	2006/07 £000
Government Departments	6,769	13,032
General Debtors	20,748	18,840
Payments in Advance	20,192	21,424
Provision for Bad Debts	(617)	(761)
Landfill allowance	-	2,679
<b>Closing balance at 31 March</b>	<b>47,092</b>	<b>55,214</b>

Included within payments in advance is £13 million which represents a prepayment for the land which was contributed to the PFI scheme in March 2002. The prepayment is amortised to revenue in equal instalments over the life of the project.

## 28 Short term Investments

Surplus cash balances are lent through the money market to Local Authorities and other approved organisations. These are shown at book value, less any provision for losses in value of marketable securities.

	2007/08 £000	2006/07 £000
<b>Short term investments</b>	<b>72,233</b>	<b>70,500</b>

## 29 Cash in Hand

This is made up of the value of imprest accounts used by County Council establishments for small purchases and the bank accounts of locally managed schools.

	2007/08 £000	2006/07 £000
County Council imprest accounts	112	118
County Fund	3,321	27
Schools' bank accounts	28,320	20,417
	<b>31,753</b>	<b>20,562</b>

### 30 Creditors

These represent sums owed by the County Council for supplies and services received before 31 March 2008 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2007/08 £000	2006/07 £000
Government Departments	16,060	10,300
General Creditors	43,593	44,370
Receipts in Advance	24,250	10,012
Deposits	-	3,645
Landfill allowance	-	2,007
<b>Closing balance at 31 March</b>	<b>83,903</b>	<b>70,334</b>

### 31 Cash Overdrawn

The County Council's accounts show a cash overdrawn position of £8.2 million. However, the actual net cleared cash balance on the corporate bank accounts was a debit of £247,000. This difference is due to unrepresented cheques and BACS payments and uncleared cheques paid into the bank account on 30/31 of March 2008.

### 32 Long Term Borrowing

Long term borrowing decreased by £7.1 million from £192.3 million at 31 March 2007 to £185.2 million at 31 March 2008. An analysis of loans by maturity is as follows:

Analysis of loans by maturity		
	2007/08 £000	2006/07 £000
Maturing within one year	8,630	14,436
Maturing in 1-2 years	10,297	2,625
Maturing in 2-5 years	16,207	16,069
Maturing in 5-10 years	25,121	35,065
Maturing in more than 10 years	124,904	124,123
<b>Total</b>	<b>185,159</b>	<b>192,318</b>

The long term borrowing can be further analysed by lender category:

Analysis of loans by type		
	2007/08 £000	2006/07 £000
Short term		
Pension fund	-	3,022
Long term		
Public works loan board	127,669	132,296
Money market	57,490	57,000
<b>Total</b>	<b>185,159</b>	<b>192,318</b>

### 33 Treasury Management

Interest and other items of income associated with financial assets and liabilities are based on interest received and receivable, however, accrued interest on short term deposits is included in the carrying value of the investment outstanding at 31 March 2008.

Expenses associated with financial assets and liabilities are mainly related to external interest payments on loans, based on the effective interest rate. Accrued loan interest

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is shown against the loan outstanding in line with SORP 2007. Other expenses are shown on an accruals basis.

### **Fair Value**

Fair values for each class of financial liabilities, excluding short term pension fund loans (as the carrying amount is considered to be a reasonable approximation of fair value) are shown below. Financial assets comprise short term investments only, the fair value of which is noted on the face of the accounts.

Market loans (Lender Option Borrower Options - LOBOs) are valued at rates obtained from the market on 31 March 2008, using bid prices where applicable and include accrued interest.

The County Council's main debt liability is with the Public Works Loan Board (PWLB) and these are valued at the PWLB's new borrowing rate on 31 March 2008.

<b>Class</b>	<b>Fair Value £000</b>	<b>Carrying Amount £000</b>
Market Loans	59,028	57,490
PWLB Loans	126,260	127,669 *
<b>Total Value</b>	<b>185,288</b>	<b>185,159</b>

\*The fair value is based on the comparable new borrowing/deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities. PWLB have produced a fair value figure of loans outstanding based on a premature repayment rate, which is £134.2 million.

### **Risk**

The County Council contracts with a treasury adviser, regularly reviewing credit ratings of potential organisations with which it may place deposits or from which it may borrow, including interest rate forecasts for both borrowing and investment, together with setting a benchmark borrowing rate. The Annual Investment Strategy sets out the Council's investment policy, which is aimed at the prudent investment of surplus cash balances to ensure the security of capital and liquidity of investments. However, the Council, like any other organisation, can be exposed to financial risk, examples of the main risks are detailed below.

#### **Credit Risk:**

The credit risk that counterparties are unable to repay investments could impinge on the Council's ability to meet its financial liabilities. Investment counterparty risk is controlled by the use of appropriate criteria to assess and monitor credit risk. The Council has an established lending list, which categorises counterparties according to type, sector, maximum investment (individually and as a group) and maximum duration of the investment.

#### **Liquidity Risk:**

Liquidity Risk arises due to the uncertainty of liquidity in the market within which the Council "deals" and the Council's own liquidity position. The Council maintains a

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maturity analysis of financial assets and liabilities within its treasury management system and regularly monitors the maturity of assets and liabilities.

**Market Risk:**

Market Risk is the risk that the value of the Council's investments decrease due to market factors, such as interest rate risk (interest rate changes). Within the context of the financial instruments that the Council currently holds, it does not have significant exposure to equity risk (share price changes), currency risk (foreign exchange rate changes) and commodity risk (commodity - e.g. grain, metals price changes).

The Council's strategies take account of the forecast movement in interest rates and allow sufficient flexibility to vary the strategy if movements in interest rates are not in line with forecasts.

**Refinancing Risk:**

Refinancing risk is the risk that the Council cannot, when required (e.g. to finance the Capital Programme), refinance by borrowing to repay existing debt because of the prohibitive rates for refinancing a loan. The majority of the Authority's borrowing is undertaken through the Public Works Loans Board (PWLB), a government organisation that lends to local authorities. PWLB introduced new rates for early repayment and refinancing loans in November 2007, which has constrained the ability of the Council to restructure loans. Information received from treasury advisers, together with regular updates enables the Council to manage and monitor forecast borrowing rates.

**Exposure to Risk - Summary Data:**

**Credit Risk:**

The following table shows the percentage of Investments by credit rating category (based on Fitch Credit Ratings), the diversification of the Council's investments and the maximum invested with an individual borrower within each credit rating category.

Credit Rating Category	Type of Institution	Duration	%	Maximum Invested with Single Borrower %
F1/AA - Max. £10 million	Major UK Banks	0-5 Years	15.74	13.67
F1 - Max. £6 million	Major UK Banks	0-2 Years	2.92	2.92
F1 - Max. £6 million	Major UK Banks	0-3 Months	13.87	4.16
F1/AA - Max. £10 million	Major Overseas Banks	0-5 Years	7.08	4.16
F1 - Max. £6 million	Major Overseas Banks	0-2 Years	21.13	8.31
F1 - Max. £6 million	Major Overseas Banks	0-1 Year	11.54	8.76
F1 - Max. £6 million	Major Overseas Banks	0-3 Months	12.48	4.17
F1/A - Max. £6 million	Major UK Building Societies	0-3 Months	15.24	4.16
			100	

**Liquidity Risk:**

At 31 March 2008 the County Council had a mixture of PWLB and market loans outstanding. The Balance Sheet gives details of the split between loans payable within one year and the spread of longer term loans (loans that are outstanding for more than

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one year). The following table details the maturity analysis of debt outstanding at the Balance Sheet date and the average rate of interest.

Term of Loan	Market Loans (including Accrued Interest)	PWLB Loans (including Accrued Interest)	Total Amount Outstanding (including Accrued Interest)	% of Total Loans	Average Rate of Interest
Within 1 Year	6,000,000	2,630,449	8,630,449	4.7%	4.264%
Between 1 and 2 Years	10,257,857	39,106	10,296,963	5.5%	3.505%
Between 2 and 5 Years	16,160,263	46,167	16,206,430	8.7%	4.120%
Between 6 and 10 Years	25,071,824	48,923	25,120,747	13.6%	4.187%
Between 11 and 15 Years	-	-	-	-	-
More than 15 Years	-	124,904,255	124,904,255	67.5%	4.232%
	<b>57,489,944</b>	<b>127,668,900</b>	<b>185,158,844</b>	<b>100.0%</b>	<b>4.303%</b>

**Notes:**

1 The Council's policy is to limit the amount maturing in any one financial year to a maximum of 15%. Currently the maximum in any one year is 6% (£11 million in 2035/36).

2 Market loans are Lender Option Borrower Option (LOBO) loans, which give the lender the option at certain dates to vary the interest rate, at which point the Council may choose to accept the new rate of interest or repay the loan and if necessary refinance the loan at a more favourable rate of interest. LOBOs are included within the financial year that reflects maturity at the earliest option date.

3 The table shows that the overall average interest rate is 4.303%.

**Market Risk:**

Wiltshire County Council is mainly exposed to interest rate risk (in terms of financial instruments, the Council has little or no exposure to equity risk, currency risk and commodity risk). At 31 March 2008 the Council held mainly short term investments, at various interest rates, for the sum of £72.2 million (including accrued interest).

Where interest rates increase at a time when the Council has cash "tied up" in short term investments there is an opportunity cost, which reflects the loss that could have been avoided had the Authority been able to invest at the higher rate of interest. If interest rates had been above rates obtained on the investments outstanding at 31 March 2008 and the investments outstanding had matured prior to that date, interest taken to the Income and Expenditure Account could have been in excess of the interest actually credited to the account. Of course, the opposite is true where interest rates fall.

However, the fair value of the Council's short term investments has been calculated using market rates at 31 March 2008. This valuation is not significantly different from the carrying amount shown on the face of the accounts.

The average interest rate receivable on all short term investments held at 31 March 2008 was 5.6%. If the average rate of interest had increased by 0.5% one month prior to 31 March 2008, the additional interest that could have been credited to the Income

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and Expenditure Account would have been £30,000. If interest rates had fallen by 0.5% at this time, the Income and Expenditure Account would have been £30,000 "better off" than if the funds had been invested at the lower rate. With the benefit of hindsight, market conditions at the Balance Sheet date indicate that interest rates fell between the issue dates of the investments and the 31 March 2008.

**34 Provisions**

An analysis of provisions is as follows:

Provision	Purpose	2007/08 £000	Mvmt in year £000	2006/07 £000
Semington Compensation Claims	Compensation to be paid to owners following construction of Semington bypass	1,169	(222)	1,391
Calne Northern Distributor Road Compensation Claims	Compensation to be paid to owners following construction of Calne Northern Distributor Road	650	150	500
Highways Land Compensation Claims	Compensation to be paid to owners	63	(8)	71
S.117 Mental Health Act 1983	Reimbursement of contribution fee	264	-	264
Works at Youth Development	To cover dilapidations on 25 year lease	60	(40)	100
Outstanding loans with DC's re Sports Provision		-	(60)	60
Accounting & Budget Support				
Trading	To offset future loss of income due to school closures	23	23	-
Connexions	To cover dilapidations	284	284	-
Magistrates Courts	Awaiting decision from Lord Chancellor's Dept	85	-	85
Payroll	Payment to software supplier in dispute	83	-	83
Insurance Claims		253	(148)	401
Secondary ASD Centre Start up	Provision for repairs	100	-	100
SEN Cont inside LSB - Provisions		-	(185)	185
Lease Provision		-	(106)	106
Other Provisions		108	108	-
<b>Total</b>		<b>3,142</b>	<b>(204)</b>	<b>3,346</b>

**Semington compensation claims**

This provision has been created to allow for compensation to be paid to land owners for the acquisition and subsequent devaluation of their land in connection with the Semington by-pass.

**Insurance**

An Insurance provision is accounted for when it is probable that a cost will be incurred and a reliable estimate of the cost can be made. The insurance provision for 2007/08 is made up of 11 claims totalling £0.253 million. The provision levels are set in the following ways:-

- Property Damage. The estimated cost of reinstatement (often supported by an independent contractors repair/replacement estimate) or the actual cost based on replacement/repair invoices presented.
- Personal Injury. Based on the insurers own reserve calculation for the claim. Where insurers are not handling the claim, a 'flat' figure of £7,500 is used.

The 11 claims consisted of a mixture of Public and Employers Liability claims and own Property claims.

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The Authority self insures with the Council meeting the first £0.1 million of each employers and public liability claim and between £0.1 million and £0.250 million for own property claims. There are other risks the Authority does not insure against and these include, for example, computer breakdown and loss of computer data, employment practices.

**35 Reserves**

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Purpose	Further details	Balance 2007/08 £000	Mvmt in year £000	Balance 2006/07 £000
Revaluation reserve	Store of gains on revaluation of fixed assets not yet realised through sales	(a) below	52,485	52,485	-
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	(b) below	300,207	(26,987)	327,194
Usable capital receipts reserve	Proceeds of fixed asset sales available to meet future capital investment	(c) below	71	(2,715)	2,786
Financial Instruments Adjustment Account	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(d) below	(452)	(452)	-
Pensions reserve	Balancing account to allow for inclusion of pensions liability in the balance sheet	(e) below	(129,208)	15,829	(145,037)
Earmarked reserves	See separate analysis	(f) below	50,672	13,448	37,224
General Fund	Resources available to meet future running costs for non-housing services		10,478	2,670	7,808
<b>Total</b>			<b>284,253</b>	<b>54,278</b>	<b>229,975</b>

**(a) Revaluation reserve**

This is a new reserve which records the upward revaluation as certified by Bruton Knowles, Chartered Surveyors

	2007/08 £000	2006/07 £000
Opening balance at 1 April	-	-
Revaluations during the year	52,905	-
Depreciation of revaluations	(420)	-
Revaluation adjustments	<b>52,485</b>	-

**(b) Capital adjustment account**

In accordance with the SORP the closing balance on the fixed asset restatement account and capital financing account has been transferred to the new capital adjustment account

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	2007/08 £000	2006/07 £000
<b>Balance at 1 April</b>	<b>327,194</b>	-
Fixed Asset Disposals	(13,500)	-
Capital expenditure not added to assets	1,564	-
Revaluation adjustments	(26,415)	-
Capital expenditure financed from the Capital Reserve	1,878	-
Capital expenditure financed from capital receipts	5,222	-
Provision from revenue	(1,704)	-
Deferred consideration for Private Finance Initiative Scheme (PFI)	383	-
Amortisation of deferred charges	(5,592)	-
Release of deferred capital grants & developer contributions	1,751	-
Adjustment for capital grant on non-asset expenditure	9,426	-
<b>Balance at 31 March</b>	<b>300,207</b>	-

**(c) Usable capital receipts reserve**

	2007/08 £000	2006/07 £000
Environmental Services	-	757
Children and Education	71	2,029
<b>Balance at 31 March</b>	<b>71</b>	<b>2,786</b>

**(d) Financial instrument adjustment account**

	2007/08 £000	2006/07 £000
<b>Balance at 1 April</b>	-	-
Reversal of net prior period adjustment on write off of pre 1 Apr 06 premium	(1)	-
Reversal of net prior period adjustment on amortisation on EIR basis of post 1 Apr 06 market loans (LOBOs)	(326)	-
Amortisation of unamortised premiums on financial instrument adjustment ac	39	-
Adjustment on market loans to match EIR	(164)	-
<b>Balance at 31 March</b>	<b>(452)</b>	-

**(e) Pensions reserve**

	2007/08 £000	2006/07 £000
<b>Balance at 1 April</b>	<b>(145,037)</b>	<b>(185,230)</b>
FRS 17 adjustment	15,829	40,193
<b>Balance at 31 March</b>	<b>(129,208)</b>	<b>(145,037)</b>

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**(f) Earmarked reserves**

<b>Reserve</b>	<b>Further details</b>	<b>Balance 2007/08 £000</b>	<b>Mvmt in year £000</b>	<b>Balance 2006/07 £000</b>
Capital Reserve	(bb below)	2,751	(1,217)	3,968
PFI Reserve	(cc below)	4,101	183	3,918
Insurance Reserve	(aa below)	5,036	983	4,053
Treasury Reserve		318	318	-
Locally Managed Schools' Balances - to be spent on educational services		22,784	5,438	17,346
Local Authority Business Growth Incentive		-	(661)	661
Department of Resources		784	197	587
Environmental Services Department		1,184	748	436
Invest to Save Fund		-	(1,230)	1,230
Redundancy Reserve		1,204	(176)	1,380
Landfill Allowance Trading Scheme Reserve		-	(671)	671
Free School Meals		501	36	465
Sickness Insurance Scheme		1,597	408	1,189
WASSP		(226)	(473)	247
Connexions		226	(304)	530
Libraries Operating Reserves		171	128	43
Transformation Capacity Reserve		290	290	-
Delayed Transfer of Care		500	-	500
Three Tier Rev Reserves		5	5	-
One council for Wiltshire reserve		9,446	9,446	-
<b>Total</b>		<b>50,672</b>	<b>13,448</b>	<b>37,224</b>

**(aa) Insurance reserve**

The County Council has established a Self-Insurance Account, effective from 1 April 1994, in which premiums and expenses are paid and income and reimbursements collected. Liability for claims is shared between the Council and outside insurers, with the Council's annual liability being capped. The surplus or deficit on this account is transferred to the Insurance Reserve.

	<b>2007/08 £000</b>	<b>2006/07 £000</b>
Premiums charged to Services	2,556	2,409
Other contribution from Revenue Account	270	210
Premiums paid to Insurers	(1,272)	(1,149)
Claims During Year		
Employer's / Public Liability	(360)	(608)
Fire and All Risks	(176)	(196)
Risk Management	(2)	(4)
Other	(11)	-
Other expenses	(170)	(162)
Provisions for claims in progress	148	(400)
<b>Surplus for year</b>	<b>983</b>	<b>100</b>
<b>Insurance reserve</b>		
	<b>2007/08 £000</b>	<b>2006/07 £000</b>
Balance at 1 April	4,053	3,953
Transfer from self insurance account	983	100
<b>Closing balance at 31 March</b>	<b>5,036</b>	<b>4,053</b>

**(bb) Capital reserve**

	2007/08 £000	2006/07 £000
Balance at 1 April	3,968	4,468
Contribution from revenue	-	4,072
Contribution from capital financing reserve	(1,217)	(4,072)
Provision for compensation claims relating to Calne	-	(500)
<b>Closing balance at 31 March</b>	<b>2,751</b>	<b>3,968</b>

**(cc) PFI reserve**

	2007/08 £000	2006/07 £000
Balance at 1 April	3,918	-
Contribution from revenue	183	3,918
<b>Closing balance at 31 March</b>	<b>4,101</b>	<b>3,918</b>

**36 Contingent Liability**

There were no material contingent liabilities.

**37 Post Balance Sheet Events**

There were no material post Balance Sheet events.

**38 Wiltshire County Council Pension Fund Assets and Liabilities**

As part of the terms and conditions of employment for officers and other employees, the authority offers retirement benefits. Although these 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 two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Wiltshire County Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.
- The Teachers' Pension Scheme – this is an unfunded scheme, meaning that there are no investments assets built up to meet the provisions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The liability for this scheme falls upon central government.

In 2007/08, pension costs have been charged to the Income and Expenditure Account on the basis required by FRS 17, contributions payable to the Wiltshire County Council pension scheme are based on an actuarial valuation at 31 March 2008. The last full actuarial valuation was on 31 March 2007.

In 2007/08 the County Council paid an ongoing employer's contribution of £22 million into the Pension Fund. The contribution rate is determined by the Fund's actuary based on triennial valuations, the last review being at 31 March 2007. Under Pension Fund Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

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In 2007/08 the County Council paid £17.8 million to the Department for Education and Skills in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2007/08 these amounted to £2.056 million.

An accrual of £2.3 million was made at the year end in respect of teachers pensions due in March 2008 but not paid until April 2008.

	2007/08	2006/07
Rate of inflation	3.6%	3.2%
Rate of increase in salaries	5.1%	4.7%
Rate of increase in pensions	3.6%	3.2%
Rate for discounting scheme liabilities	6.9%	5.4%

**Transactions relating to Retirement Benefits**

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. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2007/08 £000	2006/07 £000
<b>Income and Expenditure Account</b>		
Net Cost of Services		
Current service cost	17,494	19,477
Past service cost	27	495
Curtailment and Settlement	774	830
Net Operating Expenditure		
Interest cost	28,061	25,205
Expected return on assets in the scheme	(26,354)	(21,962)
<b>Net Charge to the Income and Expenditure Account</b>	<b>20,002</b>	<b>24,045</b>
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(20,002)	(24,045)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	22,027	20,125

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

	2007/08 £000	2006/07 £000
Estimated liabilities in scheme	(486,066)	(516,842)
Estimated assets in scheme	356,858	371,805
<b>Net liability</b>	<b>(129,208)</b>	<b>(145,037)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The liability of £129 million has a substantial impact on the

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net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the scheme will be made good by increased 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 dependant on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £1,082 million for the Fund as a whole at 31 March 2008 (£1,131 million at 31 March 2007). The Fund assets consist of the following categories, by proportion of the total assets held by the Fund:

	2007/08 £000	2006/07 £000
Equity investments	66%	69%
Bonds	17%	19%
Property	11%	10%
Cash	6%	2%
	<b>100%</b>	<b>100%</b>

The expected assets, annual return and long term return for the fund is shown below:

	Long term return % per annum	Fund value at 31 Mar 08 £000	Expected annual return £000	Fund value at 31 Mar 07 £000
Equities	7.7%	714,001	54,978	780,488
Bonds	5.7%	195,124	11,122	211,233
Property	5.7%	118,819	6,773	109,572
Cash	4.7%	62,134	2,928	22,947
		<b>1,090,078</b>	<b>75,801</b>	<b>1,124,240</b>

The asset value shown here (£1.090 million) is an extract from Hymans Robertson's FRS 17 report. To meet the required timetable, Hymans were sent provisional data on a cash basis. The Net Assets Statement on page 58 (£1.082 million) is based on final data on an accruals basis (i.e. including debtors and creditors) so the figures are slightly different.

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2008.

History of experience gains and losses:

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	Year to 31 Mar 08 £000	Year to 31 Mar 07 £000	Year to 31 Mar 06 £000	Year to 31 Mar 05 £000	Year to 31 Mar 04 £000
Actual return less expected return on pension scheme assets	(45,713)	(5,230)	43,474	9,400	20,500
Percentage of assets	-12.8%	-1.4%	13.4%	3.8%	9.4%
Experience losses arising on the scheme scheme liabilities	(12,082)	19,395	6,687	(9,200)	(4,500)
Percentage of liabilities	-2.5%	3.8%	1.3%	-2.1%	-1.3%
Changes in financial assumptions	71,599	27,881	(53,035)	(64,600)	-
Percentage of liabilities	2.8%	8.1%	-0.6%	-14.9%	4.8%
<b>Experience gains/(losses) arising</b>	<b>13,804</b>	<b>42,046</b>	<b>(2,874)</b>	<b>(64,400)</b>	<b>16,000</b>

Further information can be found in the Wiltshire Pension Fund annual report 2007/08 which is available on request.

**Changes to the Local Government Pension Scheme**

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. Our actuaries have taken the view that 25% of the retiring employees have taken tax free cash up to the Her Majesty's Revenue & Customs limit. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006 is calculated after these changes to the pension scheme.

**Notes to the Cash Flow Statement**

The cash flow statement includes all the County Council's operations, revenue and capital, excluding internal transactions

**39 Cash**

The cash total includes £28.432 million held in local imprest accounts and schools bank accounts, together with £3.321 million in the Council's main bank account (the County Fund). This is reduced by £8.2 million overdrawn in corporate bank accounts, including £7.953 million to take account of cheques and BACS transactions that were outstanding at 31 March 2008, giving a net cleared cash balance on the corporate bank accounts of £247,000.

#### 40 Reconciliation of the deficit on the Income and Expenditure Account to the movement on revenue activities

	2007/08 £000	2006/07 £000
Deficit for the year	12,974	263
Non-Cash Transactions Reversed Out		
Depreciation	(10,575)	(10,905)
Amendments regarding pension transactions	2,025	(3,920)
Deferred charges	(5,592)	(7,490)
(Loss)/profit on sale of fixed assets	(137)	4,484
Loss on revaluation	(26,832)	-
Government grants deferred amortisation	1,751	-
Contributions from reserves	13,448	247
Minimum revenue provision for credit liabilities	7,829	9,219
Voluntary revenue provision for capital financing	1,040	-
Capital expenditure charged to revenue	1,564	-
accordance with the SORP are different from the	(164)	-
Movements in Balance Sheet Items (See Below)		
Movement in long term debtors	716	(693)
Movement in debtors	(8,122)	(8,933)
Movement in stocks	(18)	5
Movement in creditors	(11,712)	10,095
Movement in provisions and other balances	(13,448)	(77)
Items Show n Under Servicing of Finance		
Interest	(2,913)	(4,206)
<b>Net cash inflow from revenue activities</b>	<b>(38,166)</b>	<b>(11,911)</b>

#### 41 Analysis of movement in cash

	Balance 31 Mar 08 £000	Movement 2007/08 £000	Balance 1 Apr 07 £000
Cash in Hand	31,753	11,191	20,562
Cash Overdraw n	(8,181)	(274)	(7,907)
<b>Increase in cash</b>	<b>23,572</b>	<b>10,917</b>	<b>12,655</b>

#### 42 Reconciliation of the net cash flow to the movement in net debt

	2007/08 £000	2006/07 £000
Increase in cash	10,917	(4,418)
Movement on debt financing	7,159	(7,956)
Increase in liquid resources	1,733	15,700
<b>Movemnt in net debt</b>	<b>19,809</b>	<b>3,326</b>
Opening net debt 1 April	(109,163)	(112,489)
<b>Closing Net Debt 31 March</b>	<b>(89,354)</b>	<b>(109,163)</b>

##### Analysis of Net Debt

	Balance 31 Mar 08 £000	Movement 2007/08 £000	Balance 1 Apr 07 £000
Cash in Hand / (Overdraw n)	23,572	10,917	12,655
Short Term Investments	72,233	1,733	70,500
Long term loans maturing w ithin 1 year	(8,605)	5,831	(14,436)
Long term borrow ing	(176,554)	1,328	(177,882)
<b>Net Debt</b>	<b>(89,354)</b>	<b>19,809</b>	<b>(109,163)</b>

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43 Analysis of Government Grants		2007/08	2006/07
		£000	£000
Children and Education	Standards Fund (DCSF)	(35,254)	(33,023)
	Schools Standards Grant	(13,591)	(10,752)
	Learning & Skills Council (Ind Spec Schs)	(20,770)	(17,655)
	Connexions	(5,219)	(5,281)
	Connexions Transition Grant	(414)	-
	Learning & Skills Council	(739)	-
	Dept of Health Training Grant	(764)	-
	Sure Start and Early Years	(6,044)	(4,723)
	C&F Commissioning	(1,797)	(1,835)
	C&F Asylum Seekers Grant	(363)	-
	Youth Justice Board	(793)	-
	Youth Opportunity Fund	(216)	-
	Other Education	(502)	(379)
	LPSA	(337)	(630)
Environmental Services	Dedicated Schools Grant (DSG)	(228,052)	(216,805)
	Formula capital	(7,830)	(7,224)
	Rural Bus subsidy	(1,338)	(1,306)
	Rural Bus Challenge	(493)	(526)
	Economic Development	(1,827)	(893)
	Other Environmental Services	-	(365)
	Animal Movement Licences	-	-
	Trading standard	(111)	-
	Waste Performance & Efficiency	(378)	(517)
	Defra WEE Grant	(266)	-
	Defra- contaminated land	(132)	-
	Planning Delivery Grant	(68)	-
	Countryside Agency - The Ridgeway Grant	-	-
	Post 16 Partnership	(112)	-
Road safety grant	(1,487)	-	
Central and Library Services	Libraries	-	(40)
	Delayed Discharge	(782)	(769)
Adult and Community Services	Mental Health	(805)	(829)
	Mental Health Capacity Grant	(100)	-
	CSCI Grant	(5)	-
	Residential Care Allowance	-	-
	Preventative Technology Grant	(394)	-
	Preserved Rights	(2,319)	(2,489)
	Supported People	(8,544)	(8,308)
	Asylum Seekers	-	-
	Safer Stronger Community Fund (Community Safety Link)	(508)	-
	HIV and Aids	(34)	-
	Drugs & Alcohol (YPSMG, DIP & DSPSG)	(528)	-
	National Training & Human Resource Development Strategy	(712)	-
	Improving Management Information	(162)	-
	Domestic Violence	-	-
	Carers	(1,420)	(998)
	Access & Systems	(4,226)	(4,141)
	National Treatment Association (DAAT Funding via PCT)	(1,628)	-
	HO Marac Grant	(15)	-
	HO DV Grant	(9)	-
	IDVA Home Office	(20)	-
Alcohol Strategy Grant	(5)	-	
RPMI Grant	(7)	-	
Other social services	-	(3,645)	
Resources	LPSA grant	(431)	-
		<b>(351,551)</b>	<b>(323,133)</b>

### ***The Wiltshire Pension Fund***

The Fund is administered by Wiltshire County Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2008 included 19,055 active members, 9,530 pensioners and 14,022 deferred members.

### **Responsibility for the Report**

#### **Wiltshire County Council**

The County Council has to arrange for the proper administration of the Wiltshire Pension Fund. In particular, it needs to ensure an economic, efficient and effective use of resources in carrying out this administration and that the Fund's investments are safeguarded.

The County Council has delegated this responsibility to the Wiltshire Pension Fund Committee. It also, however, has to ensure that one of its officers has responsibility for the financial aspects of that administration, this being the Director of Resources.

#### **Wiltshire Pension Fund Committee**

There are eight elected members of the Committee, comprising five County Councillors, two Swindon Borough Council members, and one member representing the four District Councils within Wiltshire. In addition, there is a representative of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2007/08 are shown in the Wiltshire Pension Fund Annual Report.

Included amongst the powers delegated by the County Council to the Committee are requirements to:

- arrange and keep under review the investment of the Fund through one or more properly authorised investment managers, and to
- appoint investment managers and external advisers as necessary to support the work of the Committee.

#### **Chief Financial Officer**

The Chief Financial Officer is responsible for preparing the financial statements of the Wiltshire Pension Fund, which must show the financial position of the Fund at the accounting date and its income and expenditure for the year.

In preparing the statements, suitable accounting policies must be selected and applied consistently and judgements and estimates made where necessary that are reasonable and prudent and comply with the appropriate accounting Code of Practice.

Proper accounting records must be maintained and kept up to date and all reasonable steps must be taken to prevent and detect fraud and other irregularities. An anti-fraud and corruption and whistle blowing policy have been implemented for the Fund.

### **Actuarial Position**

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, the last actuarial valuation of Wiltshire Pension Fund's assets and liabilities was carried out as at 31 March 2007.

### **Security of Prospective Rights**

In the Actuary's opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, they has assumed that the following amounts will be paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;
- Contributions by employers in accordance with the Rates and Adjustment Certificate dated 24 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in the Rates and Adjustments certificate dated 28 March 2008.

### **Summary of Methods and Assumptions Used**

Full details of the method and assumptions are described in their valuation report dated 28 March 2008 and the Rates and Adjustments certificate contained therein. Copies of these documents are available on request from the Wiltshire Pension Fund.

The Actuary's opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or
- the attained age valuation method for employers who were closed to new entrants.

These methods assess the cost of benefits accruing to existing members during:

- the year following the valuation; or
- the remaining working lifetime, respectively allowing for future salary increases. The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the assessed value of assets.

### **Valuation of Assets**

A "market related" valuation method has been used. This is consistent with the methodology adopted at the 2007 valuation.

**Valuation Assumptions**

The key financial assumptions adopted at the 2007 valuation are set out in the table below:

Assumptions	Derivation	Rate at 31 March 2007	
		Nominal	Real
Price Inflation (RPI)	Market expectation of long term future inflation as measured by the difference between yields on fixed and index-linked Government bonds as at the valuation date	3.2%	-
Pay Increases	Assumed to be 1.5% p.a. in excess of price inflation	4.7%	1.5%
Gilt-based discount rate	The yield on fixed-interest (nominal) and index-linked (real) Government	4.5%	1.3%
Funding basis discount rate	Assumed to be 1.6% p.a. above the yield on fixed interest Government bonds	6.1%	2.9%

The 2007 valuation revealed that the Fund's assets, which at 31 March 2007 were valued at £1,131 million, were sufficient to meet approximately 85% of the liabilities accrued up to that date.

**The Next Actuarial Valuation**

The next valuation of the Fund will be carried out as at 31 March 2010 and the results known later that year. This valuation will allow for the experience of the Fund from 31 March 2007 and up to date financial assumptions at that time.

The Actuary is aware that some employers may pay contributions in excess of the minimum contributions shown in the Rates and Adjustments certificate. These extra payments will be taken into account in the 2010 valuation and will act to reduce the contributions that would otherwise have been payable.

**Audit**

The Audit Commission has appointed KPMG to act as the external auditor of the Council, and therefore the pension fund.

**Investment Management Policy**

Overall responsibility for investment policy lies with the County Council's Wiltshire Pension Fund Committee, which reports directly to the County Council.

The current mandates (as at 31 March 2008) are the result of the revised investment strategy agreed by the Wiltshire Pension Fund Committee in July 2006. The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) – the Wiltshire Fund's SIP can be supplied upon request or viewed at [www.wiltshirepensionfund.org.uk/investment-principles](http://www.wiltshirepensionfund.org.uk/investment-principles).

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The full list of managers is as follows:

<u>Company</u>	<u>Mandate</u>	<u>Share of Fund</u>
Baillie Gifford	Regional Equity	12.5%
Baillie Gifford	Global Equity	12.5%
Capital International	Regional Equity	19.0%
Capital International	Absolute Income Grower (Equities / Bonds)	10.0%
Western Asset Management	Bonds	17.5%
ING Real Estate	Property	13.0%
Edinburgh Partners	Global Equities	7.5%
Fauchier Partners	Long-Short Equities	5.0%
Record Currency Management	Currency - Active	2.0%
Record Currency Management	Currency - Passive	1.0%

During the year, the managers transacted purchases of £1,140.9 million and sales of £1,088.3 million. The value of assets under management at 31 March 2008 was £1,077.1 million, broken down by managers as follows:

Baillie Gifford	£269.2 million
Capital International	£303.0 million
ING Real Estate	£140.9 million
Western Asset Management	£206.9 million
Edinburgh Partners	£77.0 million
Fauchier Partners	£58.3 million
Record Currency Management	£20.6 million
Cash held at Wiltshire County Council	£1.2 million
<b>Total</b>	<b>£1,077.1 million</b>

		<b>£ million</b>	<b>% of Fund total</b>
<b>Geographical analysis</b>	United Kingdom	636.7	59.1
	Europe	162.4	15.1
	North America	94.8	8.8
	Japan	34.7	3.2
	Asia, ex Japan	21.1	2.0
	Other overseas	127.4	11.8
		<b>1,077.1</b>	<b>100.0</b>
<b>Sector analysis</b>	Equities	618.5	57.4
	Fixed interest bonds	190.9	17.7
	Property	120.3	11.2
	Cash	39.5	3.7
	Index linked bonds	31.2	2.9
	Long-Short Hedge Fund	58.2	5.4
	Currency Fund	18.5	1.7
	<b>1,077.1</b>	<b>100.0</b>	

Safe custody of all investments are now the responsibility of BNY Mellon and as such, are registered in the name of, and are held by, its nominee companies or, alternatively,

by overseas agents. The exception at 31 March 2008 was a temporary cash deposit of £1.2 million that was placed with Wiltshire County Council.

## **The Wiltshire Pension Fund Accounting Policies**

### **Compliance with Recommended Practice**

The general principles adopted in compiling the accounts of the Wiltshire Pension Fund follow the recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA). Specifically, they follow Chapter 2 of the Statement of Recommended Practice on Financial Reports for Pension Schemes and the CIPFA Code of Practice on Local Authority Accounting, updated in 2007, and also with the guidance notes issued on the application of the Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS).

### **Basis of Preparation**

The accounts have been prepared on an accruals basis except where otherwise stated, i.e. income and expenditure is accounted for as it is earned or incurred, rather than as it is received and paid.

### **Contributions**

Contributions are received from employer bodies in respect of their own and their pensionable employees' contributions. Employers' contributions are prescribed in the Actuary's Rates and Adjustment Certificate following the review of the Fund's assets and liabilities during the triennial valuation. The Employees' contributions are included at the rates prescribed by the Local Government Pension Scheme Regulations.

### **Benefits and Refund of Contributions**

The benefits payable and refunds of contributions have been brought into account on the basis of all valid claims approved during the year.

### **Transfers to and from Other Schemes**

No account is taken of liabilities to pay pensions and other benefits after the year end. Transfer values, which are those sums paid to, or received from, other pension schemes relating to previous periods of employment, have been brought into account on a cash basis.

### **Investment Income**

Dividends and interest have been accounted for on an accruals basis. Income on pooled investments is accumulated and reflected in the valuation of units.

### **Valuation of Investments**

Investments are shown in the accounts at market value, determined on the following basis:

(i) **Quoted securities**

Quoted Securities have been valued at 31 March 2008 by the Fund's custodian using the mid-market price where a quotation was available on a recognised stock exchange or unlisted securities market.

(ii) **Unquoted securities**

Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.

(iii) **Pooled investment vehicles**

Pooled investments are stated at the mid-point of the latest prices quoted or the latest valuation by the respective Fund Managers.

(iv) **Fixed Interest Stocks**

All Fixed interest stocks are valued on a clean basis.

(v) **Derivative Contracts**

Derivative Future contracts are accounted for at market value and included in the net asset statement using the "economic exposure" basis of accounting.

Reported changes in the market value of investments over the year of account include realised gains or losses arising upon the disposal of investments during the year.

**Foreign Currency Translation**

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2008.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

**Investment Management Expenses**

Investment management expenses are based on the quarter end market value of the investments held. The fees paid are determined by the agreed fee scales for each individual manager.

**Acquisition Costs of Investments**

Costs incurred on the acquisition of investments, such as stamp duty and commission, are treated as part of the purchase cost of investments.

**Administration Expenses**

A proportion of the relevant officers' salaries, salary on-costs and general overheads, have been charged to the Fund on the basis of time spent on Fund administration.

**Taxation**

The Fund is an exempt approved fund under the Finance Act 1970, and as such, is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire County Council is the administering authority, VAT input tax is recoverable on all expenditure.

Income earned from investments in stocks and securities in the USA is exempt from US tax and is not subject to withholding tax. Most tax deducted from income on European investments is also recoverable.

**Related Party Transactions**

Related parties to the Wiltshire Pension Fund include all the Admitted Bodies within the Fund (see Schedule of Employer bodies on page 64), members of the Wiltshire Pension Fund Committee and the Chief Financial Officer. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party. All these transactions are included within the accounting statements given in the following pages.

**Additional Voluntary Contributions (AVCs)**

The accounts of the Fund in accordance with regulation 5 (2) (C) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 do not include transactions in respect of AVCs. These are money purchase arrangements made by individual Scheme members under the umbrella of the Local Government Pension Scheme, to enhance pension benefits. Scheme members over the age of fifty may elect to buy service with their AVC funds, such transactions being included within transfers into the Fund.

The Wiltshire Pension Fund  
Fund Account

		2007/08 £000	2006/07 £000
<b>Contributions and Benefits</b>	<b>Notes</b>		
Contributions receivable	1		
From Employees			
- Normal		16,241	15,517
- Additional		248	229
From Employers			
- Normal		52,611	50,525
- Augmentations		5,378	2,764
Individual Transfers in		6,893	8,576
<b>Total income</b>		<u>81,371</u>	<u>77,611</u>
Benefits payable	2		
- Pensions		(37,490)	(34,508)
- Commutation & Lump Sums		(10,836)	(7,229)
- Death benefits		(945)	(1,028)
Payments to and on account of leavers			
- Individual Transfers out		(5,066)	(6,923)
- Contribution refunds		(52)	(161)
- State Scheme Premiums		-	(18)
Administration expenses borne by the scheme	3	(991)	(942)
<b>Total expenditure</b>		<u>(55,380)</u>	<u>(50,809)</u>
Net additions from dealings with members		<u>25,991</u>	<u>26,802</u>
<b>Return on Investments</b>			
Investment income	4	34,086	36,672
Change in market value of Investments		(105,460)	23,208
Investment management expenses	3	(3,075)	(3,806)
Net returns on investments		<u>(74,449)</u>	<u>56,074</u>
<b>Net (increase)/decrease during year</b>		<u>(48,458)</u>	<u>82,876</u>
Opening net assets of the Scheme		1,131,253	1,048,377
<b>Net (increase)/decrease during year</b>		(48,458)	82,876
<b>Closing net assets of the Scheme</b>		<u>1,082,795</u>	<u>1,131,253</u>

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

**The Wiltshire Pension Fund**

<b>Net Asset Statement</b>		<b>2007/08</b>	<b>2006/07</b>
		<b>£000</b>	<b>£000</b>
<b>Investment Assets</b>	Notes		
<b>Fixed Income Securities</b>			
- UK fixed interest Government bonds	9	26,359	44,012
- UK fixed interest Corporate bonds		97,059	86,639
- Overseas fixed interest Government bonds	9	31,598	31,345
- Overseas fixed interest Corporate bonds		12,026	5,274
<b>Index Linked Securities</b>			
- UK index linked Government bonds		22,926	16,359
- UK index linked Corporate bonds		6,470	6,022
- Overseas index linked Government bonds		-	-
- Overseas index linked Corporate bonds		1,843	1,393
<b>Equities</b>			
- UK equities	9	220,066	262,915
- Overseas equities		306,381	323,785
<b>Pooled Investment Vehicles</b>			
- UK equities		9,447	97,362
- Overseas equities		82,634	91,903
- UK fixed interest Corporate bonds		13,230	10,989
- Overseas fixed interest Government bonds		10,642	7,868
- Property		120,327	117,369
- Long-Short Hedge Fund		58,147	-
- Currency Fund		18,443	-
<b>Cash held on deposit</b>			
- Sterling Cash	9	28,276	17,229
- Overseas Cash		4,077	1,415
<b>Other Investment Balances</b>			
- Outstanding dividend entitlements		6,717	5,991
- Recoverable tax		411	71
<b>Total of investments held</b>		<b>1,077,079</b>	<b>1,127,941</b>
<b>Net current assets and liabilities</b>			
Sundry debtors	6	6,664	4,267
Less Sundry creditors	7	(948)	(955)
<b>Total net current assets</b>		<b>5,716</b>	<b>3,312</b>
<b>Total net assets</b>		<b>1,082,795</b>	<b>1,131,253</b>

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

<b>1. Analysis of Contributions Receivable</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
Contributions from employees (including additional contributions)		
Wiltshire County Council	5,849	5,506
Other scheduled bodies	9,137	8,960
Admitted bodies	1,503	1,280
	<u>16,489</u>	<u>15,746</u>
Contributions from employers (including augmentations)		
Wiltshire County Council	19,759	20,125
Other scheduled bodies	33,024	28,373
Admitted bodies	5,206	4,791
	<u>57,989</u>	<u>53,289</u>
Total contributions receivable	<u><u>74,478</u></u>	<u><u>69,035</u></u>
<b>2. Analysis of Benefits Payable</b>		
Pensions payable		
Wiltshire County Council	12,869	12,294
Other scheduled bodies	22,631	19,978
Admitted bodies	1,990	2,236
	<u>37,490</u>	<u>34,508</u>
Retirements and death grants payable		
Wiltshire County Council	3,595	3,239
Other scheduled bodies	6,873	4,089
Admitted bodies	1,313	929
	<u>11,781</u>	<u>8,257</u>
Total benefits payable	<u><u>49,271</u></u>	<u><u>42,765</u></u>

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

<b>3. Analysis of administration costs</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
<b>Administration Costs</b>		
Wiltshire County Council Finance Department charges		
Pension benefit administration	512	439
Pension payroll administration	143	157
Pension accounting administration	82	164
<b>Sub total</b>	<b>737</b>	<b>760</b>
Direct administration costs		
Pension administration	215	183
Accounting administration	42	2
"Bad advice" costs recouped	(3)	(3)
<b>Sub total</b>	<b>254</b>	<b>182</b>
	<b>991</b>	<b>942</b>
<b>Investment Administration Costs</b>		
Wiltshire County Council Finance Department charges		
Pension investment administration	64	72
Direct administration costs		
Investment & accounting administration	3	2
Third party investment management charges		
Investment managers' fees	2,958	3,389
Custody & related services	148	293
Securities Lending	(226)	(101)
Consultancy fees	128	151
<b>Sub total</b>	<b>3,075</b>	<b>3,806</b>
<b>Overall total</b>	<b>4,066</b>	<b>4,748</b>
<b>4. Analysis of Investment Income</b>	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
<i>Quoted securities</i>		
- UK fixed interest bonds	7,418	7,609
- Overseas fixed interest bonds	1,416	2,798
- UK index linked bonds	744	687
- Overseas index linked bonds	45	122
- UK equities	11,391	15,376
- Overseas equities	6,629	4,968
<i>Pooled investment vehicles</i>		
- Overseas companies	92	-
- UK property	3,790	3,802
<i>Cash held on deposit</i>		
- Sterling Cash	2,415	1,163
- Overseas Cash	146	147
	<b>34,086</b>	<b>36,672</b>

**5 Stock Lending**

The County Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £87.3 million (8% of the total) were on loan at 31 March 2008. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.69%) representing a value of £92.8 million (106.28%). Income earned from this programme amounted to £0.226 million in the year.

	<b>2007/08</b>	<b>2006/07</b>
	<b>£m</b>	<b>£m</b>
WCC securities on loan	87.3	2.9
<i>(percentage of total)</i>	<i>8.0%</i>	<i>0.3%</i>
WCC Collateral share of pool	0.69%	0.08%
Value of WCC pooled share	92.8	3.1
Percentage of securities on loan	106.3%	106.6%
Income earned in year	0.226	0.101

	<b>2007/08</b>	<b>2006/07</b>
	<b>£000</b>	<b>£000</b>
<b>6. Debtors and payments in Advance</b>		
Contributions due from other authorities and bodies		
- Employees Contributions	987	1,061
- Employer Contributions	4,998	2,932
Income due from external managers and custodians	538	1
Other	141	273
	<b><u>6,664</u></b>	<b><u>4,267</u></b>
<b>7. Creditors and Receipts in Advance</b>		
Managers /Custody fees	771	859
HMRC	1	3
Other	176	93
	<b><u>948</u></b>	<b><u>955</u></b>

All contributions due from other authorities have been received post year end.

**8 Additional Voluntary Contributions (AVCs)**

Scheme members paid contributions totalling £0.176 million (£0.157 million in 2006/07) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Scheme members totalled £2.957 million (£2.959 million in 2006/07), made up as follows:

**Wiltshire County Council**  
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	<b>£ million</b>
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	1.175
- Unit Linked Managed Fund	0.355
- Building Society Fund	0.073
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.152
- Unit Linked Managed Fund	0.833
<i>NPI Funds</i>	
- Managed Fund	0.021
- With Profits Fund	0.226
- Global Care Unit Linked Fund	0.066
- Cash Deposit Fund	0.056

As mentioned earlier, AVC investments are not included in the Fund's financial statements.

## **9 Derivative Contracts**

The Scheme had the following derivative contracts outstanding at the year end relating to its fixed interest investment and passive currency mandates. The details are:

**Wiltshire County Council**  
**Statement of Accounts 2007/08**

<b>Nature</b>	<b>Duration</b>	<b>Market Value £000</b>	<b>Economic Exposure £000</b>
<b><u>Future Contracts</u></b>			
<b>Cash Futures</b>			
Sterling LIBOR Future	Expires Mar 09	291	31,240
Sterling LIBOR Future	Expires Sep 09	(15)	17,543
Sterling LIBOR Future	Expires Dec 09	224	86,596
<b>Equity Futures</b>			
FTSE 100 Index Future	Expires Jun 08	739	7,706
<b>Fixed Income Security</b>			
US Treasury Bond	Expires Jun 08	(307)	(11,118)
US Treasury Bond	Expires Jun 08	(325)	(10,115)
		<b>607</b>	<b>121,852</b>
		<b>Market Value £000</b>	<b>Cost £000</b>
<b><u>Options</u></b>			
<b>Cash Futures</b>			
Eurodollar Future	June 08	322	262
Eurodollar Future	Sep 08	185	64
<b>Fixed Income Security</b>			
US Treasury Future	June 08	257	240
		<b>764</b>	<b>566</b>
<b>Forward Cash Currency Contracts</b>		<b>(15,636)</b>	<b>-</b>

The net economic exposure of the future contracts has been included in the relevant asset class with a corresponding adjustment to cash deposits.

The market value of the options and forward cash currency contracts are included in the cash and fixed income valuations.

## **10 Employee Related Assets**

There are no employee related assets within the fund.

**Schedule of Employer Bodies**

**Scheduled Bodies**

Wiltshire County Council  
Swindon Borough Council  
Kennet District Council  
North Wilts District Council  
Salisbury District Council  
West Wilts District Council  
Wiltshire Police Authority  
Wiltshire & Swindon Fire Authority  
Wiltshire Magistrates Court Service  
Wiltshire Probation Service  
Thamesdown Passenger Transport  
Amesbury Parish Council  
Blunsdon St Andrews Parish Council  
Bradford-on-Avon Town Council  
Calne Town Council  
Chippenham Town Council  
Corsham Town Council  
Cricklade Town Council  
Devizes Town Council  
Haydon Wick Parish Council  
Highworth Town Council  
Malmesbury Town Council  
Marlborough Town Council  
Melksham Town Council  
Melksham Without Parish Council  
Mere Parish Council  
Purton Parish Council  
Stratton St Margaret Parish Council  
Trowbridge Town Council  
Wanborough Town Council  
Warminster Town Council  
Westbury Town Council  
Wilton Town Council  
Wootton Bassett Town Council  
Wroughton Parish Council  
New College  
Salisbury College  
Swindon College  
Wiltshire College

**Admitted Bodies**

ABM Catering Ltd  
Action for Blind People  
Capita Business Services Ltd  
CIPFA  
Cleanaway Ltd  
Community First  
Connexions  
Corsham Area Development Trust  
Focsa Services  
Rethink  
Salisbury and South Wilts Museum  
Sarsen Housing Association  
Aster Group  
Aster Property Management  
Selwood Housing  
Swindon Academy  
Swindon Dance  
Ridgeway Community  
The Order of St John Care Trust  
United Response  
West Wilts Housing Society  
Westlea Housing Association  
Wiltshire Archaeological Society  
Wiltshire Community Foundation

These accounts form a summary from the Wiltshire Pension Fund Annual Report and Financial Statements publication. This provides information on its activities and a full detailed statement of its accounts. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, County Hall, Bythesea Road, Trowbridge, BA14 8JN.

## Trust Funds

The County Council directly administers 15 endowment and trust funds, mostly consisting of relatively small sums of money received from private individuals in order to benefit, for example, the blind. The total Fund balances at 31 March 2008, which are not included in the Balance Sheet, amounted to £6.4 million. These are summarised below:

	Balance 31 March 2008 £000	Income £000	Loss on expenditure £000	Balance revaluation £000	Balance 31 March 2007 £000
Charity of William Llew ellen Palmer	1,342	57	(48)	(117)	1,450
Withy Trust	227	8	(5)	(13)	237
Edw in Young Collection	365	21	(19)	(26)	389
John Creasey Museum	156	22	(18)	(10)	162
William 'Doc' Couch	4,026	136	(123)	(322)	4,335
Other Miscellaneous Funds	269	31	(10)	(12)	260
	<b>6,385</b>	<b>275</b>	<b>(223)</b>	<b>(500)</b>	<b>6,833</b>

Most of the endowment and trust funds are accounted for on a cash basis in accordance with standard accounting policies recommended by the Charity Commission. The balance sheets for the trusts which are cash accounted include investments at market value and the profit therefore refers to unrealised profits on investments and other movements on investments. As the trusts are cash accounted no debtors or creditors are reflected. Assets and liabilities are shown on a statement within the individual trust accounts. The only trust fund accounted for on an accruals basis is the William "Doc" Couch trust fund. This is in accordance with Charity Commission requirements for funds of that size.

Trust Fund Assets	Market Value 31 March 2008 £000	Market Value 31 March 2007 £000
Government Fixed Interest	1	1
Managed Funds - Bonds	966	959
Managed Funds - Equities	3,893	4,345
Property	500	513
Cash	328	602
Hedge Funds	637	353
Other	48	48
	<b>6,373</b>	<b>6,821</b>

## Glossary

### Accounting Policies

The policies and concepts used in the preparation of the accounts.

### Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March 2008.

### Assets Under Construction

Capital expenditure on assets where the work is incomplete.

**Best Value Accounting Code of Practice**

This code of practice details standard definitions of services and total cost which enables spending comparisons to be made with other local authorities.

**Capital Expenditure**

Expenditure on acquisition or construction of assets which have a value to the authority for more than one year e.g. land and buildings.

**Capital Financing Costs**

The costs of financing fixed assets, being the interest costs of external loans and monies used to repay debt.

**Capital Receipts**

Income from the sale of capital assets such as land and buildings.

**Council Tax Precept**

A property based tax which is set by the County Council and administered by District, Borough and Unitary Councils.

**Creditors**

Amounts owed by the County Council for work done, goods received or services provided but for which payment has not been made by the end of the accounting period.

**Debtors**

Amounts due to the County Council but unpaid by the end of the accounting period.

**Dedicated Schools Grant (DSG)**

A central government grant paid to the County Council for use for expenditure on schools.

**Deferred Charges**

Capital expenditure for which no tangible fixed asset exists is classified as deferred charges in the Balance Sheet and written off over the period over which the County Council obtains benefit.

**Depreciation**

The fall in value of an asset, as recorded in the financial records, due to wear and tear, age and obsolescence.

**Fixed Asset**

A tangible asset which is intended to be used for several years such as a vehicle or building.

**Imprest Accounts**

Petty Cash Accounts used for small items of expenditure.

**Local Area Agreements (LAA)**

A 3 year agreement setting out priorities for a local area, agreed by central government and the local area, represented by the local authorities, their key partners through the local strategic partnership.

**Local Authority Business Growth Incentive (LABGI)**

Incentive for local authorities to promote economic growth. The scheme allows the retention of a proportion of increases in revenue derived from national non-domestic rates.

**Local Public Service Agreement (LPSA)**

A voluntary agreement, negotiated between a local authority and the government, which aims to improve local public services by focusing on targeted outcomes for local people.

**Minimum Revenue Provision**

The amount set aside out of the revenue budget to repay external loans.

**National Non-Domestic Rates (NNDR)**

A tax collected locally by District Councils and paid to Central Government. It is then redistributed to county, unitary, borough and district councils on the basis of the resident population.

**Operating Leases**

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

**Private Finance Initiative (PFI)**

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

**Provisions**

These are monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts.

**Reserves**

Money set aside to meet the cost of specific future expenditure.

**Revenue Balances**

This is the general reserve of the County Council.

**Revenue Contributions to Capital Expenditure**

The amount of capital expenditure to be financed directly from the annual revenue budget.

**Revenue Support Grant (RSG)**

A general central government grant paid to the County Council in support of annual revenue expenditure.

**Statement of Recommended Practice (SORP)**

This relates to the Code of Practice on Local Authority accounting that is published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

***Annual Governance Statement***  
**2007/08**

**A. Scope of Responsibility**

1. Wiltshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the County Council is also 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.

**B. The Purpose of the Governance Framework**

3. 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.
4. 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 authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
5. The governance framework has been in place at the County Council for the year ended 31 March 2008 and up to the date of approval of the statement of accounts.

**C. The Governance Framework**

6. The Council's governance framework comprises a broad range of strategic and operational controls, which work together to ensure the sound running and well being of the Council. The key elements are summarised below.

Documents referred to are available from the Council or may be viewed on the Council's website ([www.wiltshire.gov.uk](http://www.wiltshire.gov.uk)).

**Purpose and Planning**

7. The Council's goals and priorities are set out in its Corporate Plan, which was updated in July 2007. The Plan shows how the Council will:

- improve customer services and customer satisfaction;
- improve efficiency and reduce costs;
- review its services to make them sustainable in the context of social, economic and environmental changes and limited resources;
- promote sustainable communities throughout Wiltshire;
- manage organisational changes and risks in order to meet the Council's objectives.

These objectives reflect the long term priorities agreed by the County's local strategic partnership, the Wiltshire Strategic Board, as set out in the Board's Sustainable Community Strategy.

8. The Corporate Plan links the funding of the Council's goals and priorities to its Medium Term Financial Strategy and includes a statement of the principal strategic risks to the operation of the Council and the achievement of its objectives.
9. The Council's priorities are reflected in service plans, work plans and in managers' and staff personal targets. These form part of an integrated planning cycle that includes service planning, annual budget setting, and regular corporate review of performance and spending. Service plans are not being updated in 2008; instead the Council is producing cross cutting plans for ICT, workforce, assets (property), and the Medium term Financial Strategy. These cover the county council and the 4 district councils and will help in the transition to the new unitary council in April 2009.

## **People**

10. Services are delivered by trained and experienced staff. Each post has a job description and person specification, and the training requirements of each member of staff are identified through the Council's corporate appraisal system, under which individual performance is monitored against personal, service, and corporate targets. All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct.
11. The Council has developed a People Strategy. This provides a plan for ensuring that the new Council has an appropriate workforce in place to meet its long term objectives and priorities. The Strategy provides a framework for the key issues facing the new Council under 5 key headings:
  - organisational development
  - leadership development
  - recruitment and retention
  - skill and competency development
  - pay and rewards.

A detailed action plan has been developed to support the implementation of the strategy with specific actions, timescales and resources that are required.

12. The Council has a Learning and Development Strategy which aims to ensure that learning and development activity is properly planned, managed and driven by the Council's objectives.

## **Policy and Decision-Making Framework**

13. The Council's Constitution provides the framework within which the Council operates. It sets out how decisions are made and the procedures which must be followed to ensure that these are efficient, transparent and accountable.
14. The Constitution defines the role and responsibilities of the key bodies in the decision-making process - the Council, Cabinet, and Committees, including the Regulatory Committee, Overview and Scrutiny Committee, Standards Committee and Final Accounts and Audit Committee.
15. Governance and reporting arrangements for the Council are set out in a protocol to the Constitution.
16. The Cabinet is responsible for discharging the executive functions of the Council, within the budget and policy framework set by the Council.
17. The Council publishes a Forward Work Plan once a month giving details of all the matters to be considered by the Cabinet over the following 4 months. The Forward Work Plan is now included within the Council Summons to increase the profile of this document. This enables Members and the public to be aware of forthcoming business and gives them the opportunity to influence the decision-making process.
18. The Implementation Executive was established in March 2008 under the Wiltshire (Structural Change) Order 2008 to prepare for and facilitate the economic, effective, efficient and timely transfer of the functions of the five Wiltshire district councils to the new unitary authority on 1 April 2008. The Implementation Executive is a committee of the Cabinet and its membership includes members from all five councils.
19. Schemes of Delegation are in place for Cabinet Members and Officers to facilitate efficient decision-making.
20. The Council discharges its overview and scrutiny functions through:
  - the Overview and Scrutiny Management Committee;
  - the Children's Services Scrutiny Committee;
  - the Health Overview and Scrutiny Committee;
  - Task Groups, including the Budget Scrutiny Task Group, Performance Scrutiny Task Group, Change Management Scrutiny Task Group, and various time limited Task Groups.

From November 2007 a Joint Overview and Scrutiny Transition Board, comprising members of the five councils in Wiltshire, has been operating to review and scrutinise decisions of the Implementation Executive and its workstreams in respect of the transitional arrangements for implementing the move to a unitary council for Wiltshire on 1 April 2009.

These bodies serve to hold the Council's Cabinet and Officers to public account in their

executive decision-making.

21. The Standards Committee is responsible for:

- promoting and maintaining high standards of conduct by Members and Officers across the Council;
- determination of complaints under the Members' Code of Conduct;
- oversight of the Constitution, complaints in relation to the Council's services, and the whistle blowing policy.

The Standards Committee is chaired by an independent member. Its membership was increased in July 2007 from 6 to 9 members (3 elected members and 6 independent members) in anticipation of new statutory requirements for the local assessment of complaints.

22. The Final Accounts and Audit Committee is responsible for:

- promoting internal control
- approving the annual Statement of Accounts
- focusing audit resources
- monitoring and performance of the audit function.

23. The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee to ensure that it remains fit for purpose.

### **Regulation of Business**

24. The Constitution contains detailed rules and procedures which regulate the conduct of the Council's business. These include:

- Council Rules of Procedure
- Budget and Policy Framework Procedure
- Financial Regulations and Procedure Rules
- Contract Regulations
- Members' Code of Conduct
- Officers' Code of Conduct
- Corporate Complaints Procedure.

25. Cabinet Members and Officers exercising delegated powers are required to take decisions in accordance with their respective schemes of delegation. The Leader's protocol for decision-making by Cabinet Members ensures transparency by requiring publication of the intention to make a decision on 5 clear days' notice and the final decision.

26. The statutory officers - the Head of Paid Service (Chief Executive), the Monitoring Officer (Solicitor to the Council) and the Chief Finance Officer have a key role in monitoring and ensuring compliance with the Council's regulatory framework and the law. The statutory officers are supported in this role by the Council's legal services, finance, and procurement teams and Internal Audit.

27. The Council has a Whistle Blowing Policy and an Anti-Fraud and Corruption Policy. The Standards Committee receives an annual report on the effectiveness of these policies.
28. The Council has a comprehensive health and safety plan to enable it to fulfil its duty to protect the health and safety of its employees, contractors and visitors to its premises. Implementation of the plan is undertaken by all services and monitored by the Corporate Leadership Team (CLT), departmental leadership teams and individual managers, with advice and assistance from the Council's Health and Safety team.
29. The Council has a Procurement Strategy which is designed to ensure compliance with Contract Regulations and the efficient and effective use of resources. This is reviewed annually by the Overview and Scrutiny Management Committee.
30. The following bodies have an important role in ensuring compliance:
  - Final Accounts and Audit Committee
  - Overview and Scrutiny Committees and Task Groups
  - Standards Committee
  - Internal Audit
  - External Audit and Inspection Agencies.

### **Management of Resources, Performance and Risk**

31. Financial management and reporting is facilitated by:
  - Monthly reports to Cabinet on the Council's Revenue Budget and Capital Programme;
  - Bi-monthly consideration of these reports by the Budget Scrutiny Task Group;
  - Monthly budget monitoring reports to Service Managers;
  - Compliance with the Council's Budgetary and Policy Framework Procedure, Financial Regulations and Financial Procedure Rules;
  - Compliance with external requirements, standards and guidance;
  - Publication of Statement of Accounts;
  - Overseeing role of the Final Accounts and Audit Committee.
32. The Council's Corporate Plan is a key tool for these purposes and provides specific targets and 'milestones' by which performance is measured throughout the year. It is supported by a comprehensive performance management system which cascades priorities, key targets and milestones through service plans. In September 2007 a new performance system, Excelsis, was introduced that identifies management responsibility for corporate plan targets, milestones and risks and is used to monitor performance on a quarterly basis. Excelsis is an interim step towards the Business Management Programme and will be replaced by SAP in 2009.

33. The Council uses lean 'systems thinking' to transform service performance and reduce cost. In April 2009 there will be one unitary council for Wiltshire and we will have introduced the Business Management Programme - these major programmes are linked and are designed to achieve significant performance and efficiency improvements over the medium term.
34. The Council's corporate goals are broken down into service standards which identify the volume and quality of services planned and explicitly link these to budgets to deliver them. These standards are used throughout budget deliberations and are included in the monthly performance monitoring reports to Cabinet. This enables Members to review performance in the context of approved budgets and the Medium Term Financial Strategy.
35. The Performance Scrutiny Task Group provides a means of review and challenge to the Council's planning, target setting and achievement.
36. The Council's framework policy on the management of resources, performance and risk sets out the way we manage and control the performance, budgets and risks associated with the County Council's services in an integrated and dynamic way. The integration of these processes informs and influences the Corporate Plan and Medium Term Financial Strategy, ensuring a more cohesive approach to managing the business of the County Council as a whole.
37. The Risk Management Strategy has been reviewed in light of the major changes within Wiltshire and governance expectations nationally for local government to ensure the effectiveness of the Council's risk management arrangements. The revised strategy improves risk management in Wiltshire and complies with good practice so that the Council effectively manages potential opportunities and threats to help achieve its objectives.
38. This Strategy requires the Councillors, managers and staff to support, assist in, and take responsibility for, the identification, control, and reduction of risk and containment of cost, in all aspects of their activities.
39. The Corporate Risk Management Group leads and directs the Risk Management Strategy. The group's purpose is to:
- effectively embed risk management within the Council as an integral part of strategic planning, decision-making and performance management;
  - set out the robust and systematic framework for identifying, managing and responding to risk;
  - report on risks and the effectiveness of risk management arrangements;
  - review the Risk Management Strategy annually and support policies and arrangements.

This enables:

- Senior managers to act as role models to apply risk management consistently and thoroughly across the Council.

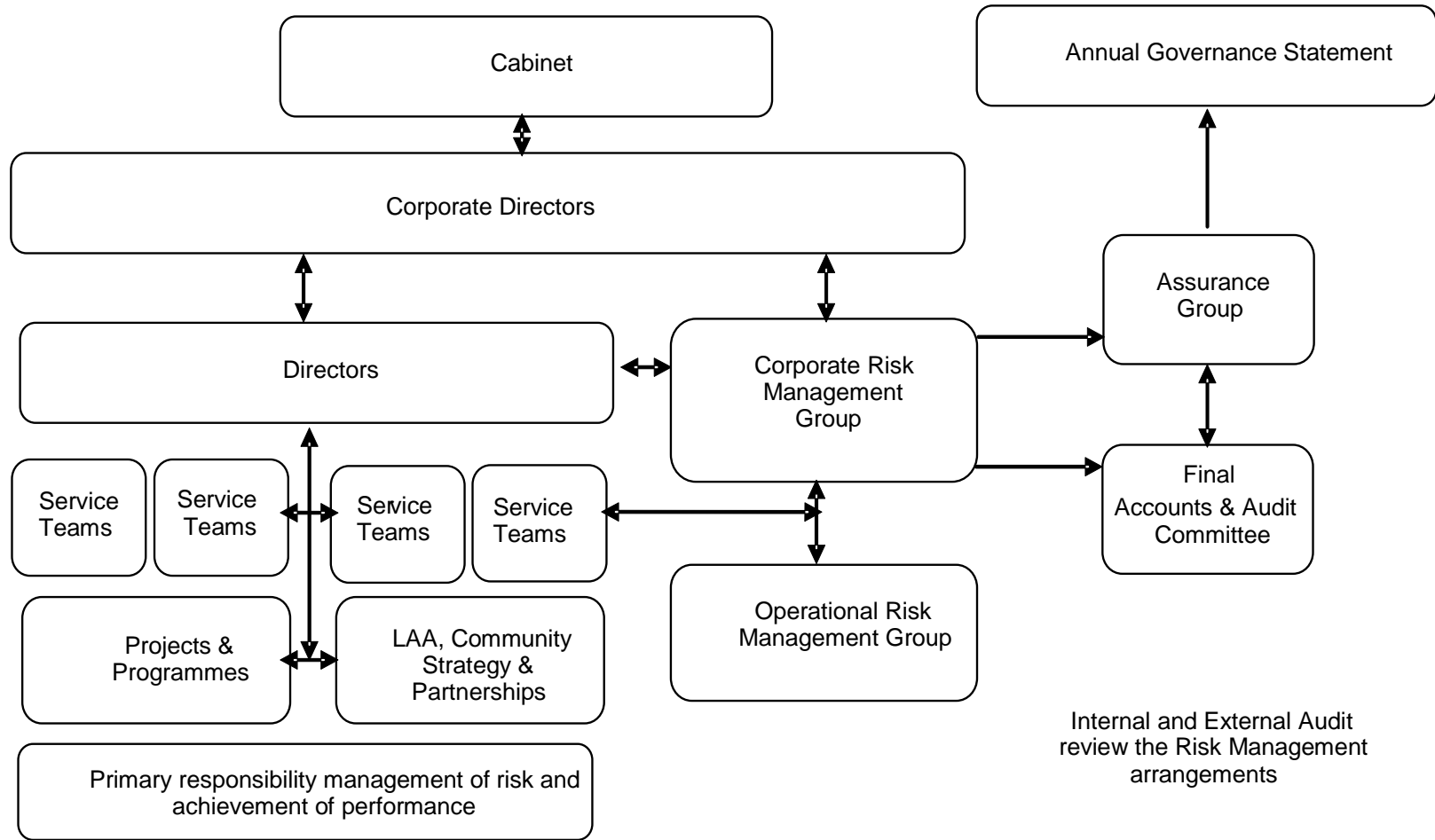
- Risk policies and strategies to be communicated effectively and made to work through a framework of processes.
  - A core group of people to have the skills & knowledge to manage risk effectively.
  - Approaches for addressing risk with partners to be developed and implemented.
40. The Council's risk management strategy has been developed into a framework of management arrangements, supported by a strategic register, aimed at ensuring that risks are regularly identified and effectively managed throughout the Council. The Corporate Risk Management Group (CRMG) receives a quarterly assurance that the risk register has been updated across all departments, including review and agreement by departmental leadership teams.
41. CRMG has established regular reporting of key strategic risks to the Corporate Leadership Team, to ensure these are managed at Chief Officer Level. In addition, progress on all aspects of risk management is reported to each meeting of the Final Accounts and Audit Committee.

The most significant risks facing the Council currently are:

- One Council
- The Business Management Programme.

The overall framework for managing risk is illustrated in the following diagram.

## The overall framework for managing risk



### **Internal Audit**

42. The main role of Internal Audit is to provide an independent and objective opinion to the Council on its internal control environment, comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives.
43. Internal Audit has the following additional responsibilities:
- providing support to the Chief Financial Officer in meeting their obligations under Section 151 of the Local Government Act 1972, including the responsibility to make arrangements for the proper administration of the Council's financial affairs;
  - providing consultancy services to departments, including advice on strategic and operational risk management;
  - investigating any allegations of fraud or irregularity;
  - advising on the internal control implications of new systems.

### **External Audit and Inspections**

44. All services of the Council are subject to reviews by external inspection agencies, including the Audit Commission, OFSTED, and SSI. The results of these inspections are used to strengthen and improve the Council's internal control environment, to ensure the economic, efficient and effective use of the Council's resources and to secure continuous improvement in the delivery of its services.

### **Partnerships Governance**

45. In May 2007 the Cabinet agreed a framework policy for the evaluation, approval and registration of partnerships in order to strengthen the Council's partnership governance arrangements. The partnerships register is reviewed periodically by the Overview and Scrutiny Management Committee.

### **Member Development**

46. The Council is committed to the ongoing development of its members and recognises the importance of building up the capacity and effectiveness of its members. To this end Group Leaders have committed to achieving member charter status.

The Council's Member Development Policy:

- establishes members' individual training needs and allocates budget according to the Council's priorities;
- ensures equality of access to funds and training events;
- evaluates the effectiveness of member development annually to inform the allocation of funding for future years.

47. The Council provides a training and development programme which is available to members of all five councils and partners.

### **Communications with Community and Other Stakeholders**

48. The Council's Corporate Communications ensures that various channels of communications are available to the public and the media. These include contact details on the council website and all printed material. Accessibility issues are considered both on the web, encouraging the use of Plain English and making information available in other formats and languages, for example, translations of service information, large print and information in an audio format where possible. With direct links to communication teams within other public sector organisations such as the Police, Fire and PCT, we are able to work closely on joint statements and projects, ensuring that the public and media are kept informed and up to date with partnership working.
49. The Council has a comprehensive Consultation Strategy, called Wiltshire Voices, which, together with supporting protocols, provides the strategic context for consultation with the community and other stakeholders and gives practical assistance to staff who engage in consultation or who commission consultation on behalf of the Council.

### **Wiltshire Pension Fund**

50. The Wiltshire Pension Fund is overseen by the Wiltshire Pension Fund Committee. This Committee has its delegated power from the full Council, rather than the Executive (Cabinet), so as to avoid any conflict of interest (eg. in relation to the setting of employer contributions).
51. This Committee is responsible for all aspects of the Fund, including:
- the maintenance of the Fund;
  - preparation and maintenance of policy, including Funding and Investment policy;
  - management and investment of the Fund;
  - appointment and review of investment managers.
52. The Committee exercises its responsibilities in relation to investment management when it sets investment policy and appoints/monitors external investment managers.

### **D. Review of Effectiveness**

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

### **Standards and Ethical Governance**

54. Key areas of work for the Standards Committee have included:

- reviewing arrangements for the involvement of non-executive members in the decision making process. The Standards Committee is monitoring the implementation of the actions agreed by the Council.
- overseeing the implementation of the revised Code of Conduct for Members, which was adopted by the Council with effect from 1 September 2007. This included the provision of training to assist Members in familiarising themselves with the changes introduced by the new Code.
- responding to changes in the law relating to the initial assessment, review, investigation and determination of complaints against Members under the Code of Conduct.
- working with the District Council Standards Committees to develop the role, composition and procedures of the standards committee for the unitary council in the light of best practice.
- Overseeing revisions to the constitution for Wiltshire Council.

### **Overview and Scrutiny**

55. Work of the Overview and Scrutiny Committees and Task Groups has focused upon:

- monitoring the performance of the Council's major service providers, including external partners delivering residential care for older people (Orders of St. John), highways maintenance(Ringway), facilities management (Sodexo), Waste Management (Hills) and PFI Schools (White Horse Education Partnership), highways consultancy (Mouchel Parkman), and Energy Supply (OGC);
- reviewing the implementation of major corporate policies, including the Procurement Strategy, Carbon Management Programme, Childrens Placements Commissioning Strategy and Child Mental Health Strategy;
- monitoring the Council's performance against the targets set by central government and those in its Corporate Plan;
- engaging in the Council's budget setting process and budget monitoring;
- initiating public inquiries into matters of local concern and contributing to the development and review of policy and service delivery, including community meals, grant aid to museums, flooding procedures, section 106 agreements, footway maintenance, delayed transfers of care, reforming local health services, the Wellington Academy, and primary school provision.

From November 2007 joint scrutiny with the district councils has covered transition to One Council work on waste, development control, housing, customer access and community area boards.

### **Final Accounts and Audit Committee**

56. The Final Accounts and Audit Committee is tasked with ensuring a systematic appraisal of all the County Council's internal control systems, including the management of risk. In order to discharge this responsibility, key areas of review undertaken by the Committee have incorporated:

- The Internal Audit Plan;
- Internal Audit's Annual Report, including the audit opinion on the internal control environment;
- Regular progress reports on the work and findings of Internal Audit;
- Approval of the Statement of Accounts and the Statement on Internal Control;
- Regular progress reports on the development of the County Council's risk management arrangements, and approval of the updated Risk Management Strategy;
- The Audit and Inspection Plan prepared by external audit;
- External Audit's Annual Governance Report and Annual Audit and Inspection Letter.

### **Internal Audit**

57. Internal Audit (IA) represents an important element of the Council's internal control environment, and to be effective it must work in accordance with the Code of Practice for Internal Audit in Local Government (the Code), which lays down the mandatory professional standards for the internal audit of local authorities.

58. As part of its review of internal control, the Council is required to review the effectiveness of its system of internal audit. This has been done by means of an assessment of internal audit's current arrangements for meeting the various standards within the Code. Each of the standards is set out below, together with a brief description of how internal audit organises its work to meet the requirements of each standard:

- **Scope of Internal Audit:** This is set out in IA's Terms of Reference, which establish its responsibilities and objectives;
- **Independence:** IA has no operational responsibilities, has direct access to all officers and members as necessary, and reports independently;
- **Ethics:** IA staff are bound by the County Council's Staff Code of Conduct, and are regularly reminded of the need to declare interests, gifts and hospitality;
- **Audit Committees:** IA has an established regular cycle of reporting to the Final Accounts and Audit Committee, which incorporates its annual plan, progress reports and its annual report and opinion on internal control;
- **Relationships:** IA has established effective working relationships with management, external audit, and other professional groups, which work well in practice;
- **Staffing, Training and Professional Development:** IA looks to maintain appropriate

staff numbers, experience and qualifications, and through its appraisal arrangements identifies the training and development needs of its staff;

- **Audit Strategy and Planning:** This is set out in IA's strategy document, which lays down the approach to risk-based audit planning;
- **Undertaking Audit Work:** IA plans, undertakes, and reports each audit in accordance with terms of reference agreed with audit clients;
- **Due Professional Care:** This is maintained through the day to day process of audit management as laid down in the IA Strategy;
- **Reporting:** Clear written guidelines have been laid down for reporting an audit opinion from each assignment, and for IA's annual report and opinion on internal control;
- **Quality Assurance:** The aim is to achieve this through a combination of audit management, staff training and development, performance measures and client feedback.

59. The annual Internal Audit Plan is based on an assessment of risk areas, using the most up to date sources of risk information, in particular the Council's Risk Register. The plan is agreed with Chief Officers, and presented to the Final Accounts and Audit Committee, which also receives reports of progress against the plan throughout the year. The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an audit opinion on the internal control environment for the County Council as a whole.

60. Whilst Internal Audit is unable to give an absolute assurance, the results of the audit work completed during the year support an overall audit opinion that internal control is in place and is operating satisfactorily in relation to the various systems and procedures reviewed. There are no significant issues relating to governance and internal control arising from Internal Audit's work, which need to be disclosed in Section E of this Annual Governance Statement for 2007-08.

## **External Audit and Inspection**

### **Comprehensive Performance Assessment**

61. Under the CPA the Audit Commission's overall assessment of the County Council was published in the Annual Audit and Inspection Letter for 2007. The Commission's overall judgement is that the County Council is improving adequately, and is classified as three stars (out of four) in its current level of performance.

62. The CPA Use of Resources Assessment for 2007 showed a further improvement in the Council's overall assessment compared to 2006. The overall assessment now stands at 3 out of 4 in all but one key line of enquiry which is dependent on a new financial system being implemented. The Audit Commission's report on Use of Resources highlights areas where improvements could readily be made and the Council is working towards implementing these. They include:

- speeding up the processing of monthly budget monitoring reports to Cabinet to enable Members to take decisions based on up-to-date financial monitoring. This will be

addressed through the Business Management Programme by the implementation of a new financial system.

- ensuring that the assurance framework is fully embedded in the Council's business processes and that the Audit Committee is fully independent of the executive.

### **External Audit**

63. The Audit Commission's Annual Audit and Inspection Letter for 2007 (the Letter) provided an overall summary of the Commission's assessment of the Council. The Letter presented the results of the Comprehensive Performance Assessment, and concluded that the Council is improving adequately. It stated that many services are improving and the rate of improvement is slightly above average when compared to other councils.

The Letter recommended that Members should:

- continue to embed and extend good practices throughout the Council eg. control over data quality in departments;
- continue to focus attention on improving priority services that are poorly performing;
- monitor the actions agreed by officers to ensure that the quality of financial statements continues to improve;
- work with partners to ensure that capacity is secured to maintain local government services across Wiltshire during the transition to a unitary council.

A programme for taking forward these recommendations is currently being developed.

64. The Audit Commission has also issued a specific report on the following topic, the overall findings being as follows:

- **Data Quality:** the Council's overall management arrangements for ensuring data quality are adequate. Data quality guidance is available to all staff and there is a clear framework for monitoring the quality of performance information. Policies are generally carried out in line with guidance and occasional gaps or errors in the data are swiftly rectified. Source data captured and maintained locally by departments is not always subjected to the same rigorous controls as corporate systems.

### **Performance Inspections**

65. External Annual Performance Assessments have been carried out in relation to children's services and adult social care services. The results were as follows:

- **Children's Services:** the Ofsted assessment, based on performance data for 2006-07, judged services to be good in relation to Being Healthy, Staying Safe, Making a Positive Contribution, and Achieving Economic Well-being. Services were judged to be adequate in relation to Enjoying and Achieving. Overall, children's services were judged to be adequate, with capacity to improve also being judged as adequate.
- **Adult Social Care Services:** the CSCI assessment for 2006-07 awarded the Council

a one star rating for adult social care. This was based on two judgements – Delivering Outcomes, judged to be adequate, and Capacity for Improvement, judged to be uncertain.

66. Areas for development highlighted by both assessments have been incorporated into action plans to achieve improvements to services.

#### **Directors' Assurance Statements**

67. Each Director has completed and signed an assurance statement on governance arrangements within their department. These statements provide confirmation that each department has identified the risks to achieving its service objectives, and the key controls in place to manage those risks.
68. The statements also disclose, where applicable, those significant governance issues which have arisen during the year. Specific issues arising from these disclosures are highlighted in section E of this Statement.

#### **Monitoring Officer**

69. The Monitoring Officer has not (to date) made any adverse findings in the course of the exercise of his statutory responsibilities.

#### **Partnerships Governance Arrangements**

70. There has been some delay in the implementation of the policy on the evaluation, approval and registration of partnerships. The position is being monitored by the Corporate Procurement Board, which has agreed actions to bring this work up to date.

#### **E. Significant Governance Issues**

71. The previous section of this Statement describes how the Council has drawn upon assurances from a number of sources to inform its review of the effectiveness of its governance framework. In carrying out this review, the Council has identified the implementation of the One Council for Wiltshire Programme and the Business Management Programme as a significant governance issue to which we need to draw attention.
72. The risks associated with these major projects are being managed through the Council's standard project management arrangements with regular reporting to the relevant boards and member bodies.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework control by the Final Accounts and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

**Keith Robinson**  
**Chief Executive**

**Jane Scott**  
**Leader of the Council**

***Independent Auditor's Report to the Members of Wiltshire County Council***

**Opinion on the statement of accounts**

We have audited the Authority statement of accounts, pension fund accounts and related notes of Wiltshire County Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority statement of accounts comprises the Explanatory Foreword, the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Authority statement of accounts and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to Wiltshire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Wiltshire County Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wiltshire County Council as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Chief Financial Officer and auditor**

The Chief Financial Officer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority statement of accounts, pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority statement of accounts and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

### **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority statement of accounts, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority statement of accounts, pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion:

- The Authority statement of accounts presents fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended;
- The pension fund accounts and related notes presents fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

KPMG LLP  
Chartered Accountants  
Bristol

30 September 2008

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the Use of Resources**

### **Authority's Responsibilities**

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

### **Auditor's Responsibilities**

We are required by the Audit Commission Act 1998 to satisfy ourselves that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

In 2007 your appointed auditor was required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying he had done so;
- stating whether he believed that the plan had been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### **Conclusion**

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

### **Best Value Performance Plan**

The previous Audit Commission appointed auditor issued his statutory report on the audit of the Authority's best value performance plan for the financial year 2006/07 on 10 December 2007. He did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

**Certificate**

We certify that we 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.

KPMG LLP  
Chartered Accountants  
Bristol

30 September 2008

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