

## Explanatory Foreword

### 1 Statutory Duty

The Council has a statutory duty to approve and publish a statement of accounts. The accounts cover a 12 month reporting position. These Accounts relate to the period 1 April 2010 to 31 March 2011.

The Statement of Accounts is by necessity presented in the very formal manner required by regulation, but in this foreword we can introduce the authority's finances in plainer terms.

### 2 Compliance with regulation

This document has been compiled by officers of the Council using information recorded on its systems, most notably its financial ledger, in line with recommended practice from the Chartered Institute of Public Finance and Accountancy (CIPFA). The format is largely prescribed. A glossary of the various terminology is set out in pages 94 to 97.

### 3 Contents

The Statement of Accounts comprises:

- An explanatory foreword
- Statement of Responsibilities for Statement of Accounts
- Accounting Statements
- Notes to the Accounts (including pensions disclosures)

The Accounting Statements comprises four Core Financial Statements. These are:

**The Comprehensive Income and Expenditure Account** summarises the Council's day to day spend and money in for all services during the financial year. This sets out what the Council has spent.

**The Balance Sheet** is a snap shot in time showing the Council's assets, liabilities, balances and reserves at 31 March 2011.

**Movement in Reserves Statement** is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year

**The Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with third parties.

**Notes to the Core Financial Statements** follow these statements.

Additionally, the following supplementary financial statements are produced.

- The **Housing Revenue Account (HRA)**. This covers the authority's expenditure on Council housing. The Government requires that this be shown separately;
- The **Collection Fund**. This shows the rates and taxes that the Council has to collect, not only for itself, but also for the Government, Wiltshire Police Authority, Wiltshire & Swindon Fire Authority and Parish Councils.

**The Annual Governance statement** sets out how the Authority conducts its business, including an update on action taken and plans to improve its arrangements in the last and coming 12 months.

### Auditor's opinion

Wiltshire Councils appointed external auditors are KPMG. KPMG will be carrying out their statutory audit. They will then issue an opinion as to whether the Accounts need to be qualified or are unqualified. The deadline for this opinion is 30 September 2011.

**Accounting Policies**

The Statement of Accounting Policies explains the basis for how we have recognised, measured and disclosed the financial transactions that relate to 2010/11. These have changed from 2009-10 to reflect changes brought about by the introduction of new accounting practices due to the introduction of international Financial Reporting Standards (IFRS). Details of the accounting policies used are found in note 1 to the accounts.

**4 Revenue outturn**

In respect of net revenue outturn, the Council's 2010/11 General Fund revised budget and actual spending figures were as below:

<b>General Fund Portfolio</b>	<b>Original Budget £m</b>	<b>Revised Budget £m</b>	<b>Actual £m</b>	<b>Difference £m</b>
Children and Education	52.979	48.166	47.800	(0.366)
Community Services	119.468	116.088	120.672	4.584
Neighbourhood and Planning	84.116	82.868	82.390	(0.478)
Public Health and Wellbeing	4.751	7.228	6.952	(0.276)
Department of Resources	55.946	66.452	66.533	0.081
Central Financing	29.200	25.519	21.241	(4.278)
Movement to/(from) Reserves	1.875	0.000	0.000	0.000
<b>General Fund Portfolio Totals (a)</b>	<b>348.335</b>	<b>346.321</b>	<b>345.588</b>	<b>(0.733)</b>
<b>Funded by:</b>				
Formula Grant	(102.442)	(102.442)	(102.442)	0.000
Area Based Grant	(26.966)	(24.740)	(24.740)	0.000
Extra Government Grant	(0.574)	(0.574)	0.000	0.574
Collection Fund (Surplus)/Deficit	(0.802)	(0.802)	(0.802)	0.000
Collection Fund Transfer	(217.763)	(217.763)	(217.763)	0.000
Additional Budget	0.212	0.000	0.000	0.000
<b>Total Funding (b)</b>	<b>(348.335)</b>	<b>(346.321)</b>	<b>(345.747)</b>	<b>0.574</b>
<b>Movement on General Fund (a)-(b)</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.159)</b>	<b>(0.159)</b>

The outturn variance on the General Fund is £733,000 below the revised net budget for 2010/2011. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income & Expenditure Account and in note 28. The overall movement on the General Fund is a £159,000 return to reserves. More details are included in the Movement in Reserves Statement. The decrease on the Movement in Reserves statement is shown as £156,000. This represents the same figure as the £159,000 but reflects different roundings caused by the brought forward balances of the five former authorities.

## 5 Major variances

Details of the main variations to the revised budget are included in the 2010/2011 Revenue Outturn report to Members.

The overall under spend against the revised budget was £0.733 million.

There were two major variations between budget and outturn.

- Firstly there was a £4.584 million overspend on Department of Community Services in relation to cost pressures, particularly in domiciliary care packages.
- Additionally, a re-profiling exercise was undertaken of the Capital programme during the year. This led to a reduced borrowing and associated revenue borrowing costs. This gave rise to a significant under spend in this area of around £5.5 million.

Details of other smaller variances are included in the cabinet report that was taken to Cabinet on Tuesday 14 June 2011 and a full copy of the report is available on the Wiltshire Council webpage under "Council and Democracy."

## 6 Managing Assets and the Capital programme

The Council owns various items of land and buildings in the County that it uses for its own purposes, such as County Hall at Trowbridge, Browfort in Devizes, Monkton Park in Chippenham and Bourne Hill in Salisbury. The authority also owns Community Schools, Council Housing in Salisbury, various highways depots, as well as fleets of refuse and highways vehicles. The council also has infrastructure assets such as the road network, street lighting and land drainage. There is also a large investment portfolio used to generate income, such as the industrial estates, farms and shops. In total the value of all the council's fixed assets was £1.038 billion pounds. This is covered in more detail in the Council's balance sheet and associated notes. In comparison with last year the value of the total estate decreased by £108m. The main difference has arisen as we re-valued downwards most of our investment and 'other land and buildings' properties at 31 March 2011. This is set out in more detail in Note 12.

During 2010/2011 the authority spent a total of £114m in its capital programme resulting in £94m being added to its asset base and £20m in the form of grants given to 3<sup>rd</sup> parties or work on assets the authority does not own. Large expenditure in 2010/2011 included spend on Wellington Academy (£21m), Workplace Transformation (including Bourne Hill offices) (£20m), Highways schemes (£22m) and Housing schemes (£13m). Further information on how the Council spent its money on Capital can be found in the 2010/2011 Capital Outturn report. This was taken to Cabinet Capital Assets Committee on Tuesday 14 June 2011 and a full copy of the report is available on the Wiltshire Council webpage under "Council and Democracy."

The authority funded its capital programme by a mixture of Grants and other contributions (48%), Capital receipts (7%) and borrowing (45%). Further information on how the authority financed its capital expenditure, the amount of debt paid off in the year and the underlying amount of additional borrowing it undertook is found in note 40.

The authority disposed of a number of assets during 2010/2011 the proceeds of this as laid down in statute were used to fund capital expenditure. The proceeds from sales in 2010/2011 were £6.2m.

## 7 Council Reserves

The Council has set up a number of reserves for specific purposes - 'earmarked reserves' for events we know are going to happen. We also have the General Fund which we keep to manage potential risks that we continually assess. If the General Fund reserve is not needed to cover these risks then it is possible to use these as a one off to support spending. Details of the council's useable reserves are the Movement in reserves statement and further details in note 23.

The Council is also required to keep a number of unusable reserves, which whilst being large in value are not related to actual cash sums but are technical accounting requirements, such as the Capital Adjustment Reserve, the Revaluation Reserve, and the Pension Reserve. Details of these unusable reserves are found in note 24.

## **8 Managing our investments and borrowings**

The Council, as shown by its level of reserves, has a significant sum to invest. We do this to ensure that we are maximising our income by earning interest on our money. However, we fully understand that this is public money and we follow strict national guidelines when deciding where and how much to invest. This process is set out in our Annual Treasury Management Strategy which was approved by the Council at its meeting on 22 February 2011 and is available from the Council's Website under committee papers relating to the Cabinet meeting on 25 January 2011. This, for example, restricts the level of individual investment, to spread the risk of who we invest with, and restricts us to only use institutions based in the UK. In 2010/11 we received £2.408m of interest. At the year end we had a total of £81.798m invested in banks and building societies in short and long term investments, compared with £62.629m in 2009/2010.

Over the past 40 years the Council (Wiltshire County Council and the 4 districts before it became one council in 2009) incurred considerable costs in building and supporting the development of infrastructure and buildings in Wiltshire. That spending was partly funded from borrowing. At 31<sup>st</sup> March 2011, the Council's total debt, including housing, was £247 million. The authority paid £9m million of interest on debt during 2010/2011, plus made Minimum Revenue Provision for the principal of the debt of £11.6m. The Council is continually monitoring its borrowing to ensure it manages all risks. The Council's Treasury Management Strategy sets this out in detail.

Further information on the way the Council's invests and borrows its monies, and manages the risks arising, are set out in Notes 50, 55 and 57 to 59, as well as the Treasury Management Strategy.

## **9 Pension Fund**

The Council's employees are able to join the Local Government Pension Scheme. This is also administered by the Council. Every three years the Fund's actuary assesses how much money is in the fund and whether this is sufficient to meet the potential call from staff as they retire at a future date.

There are a range of factors that can affect the financial position of the Fund, most notably the level of income expected to be earned from investing funds. The Scheme's actuary revalues the Fund every three years and we set out new contribution rates to ensure that we extinguish the liability to meet with the Authority's commitment to maintaining a balanced fund over the long term.

Further information on the Council's Pension Fund is set out in Note 47.

## **10 2011/2012 and beyond**

The Council has a Business Plan and a Financial Plan that look at Wiltshire's financial position over the next four years. This forecasts that with a 28% reduction in Government Funding and no increase in Council Tax in 2011/2012 or 2012/2013, the Authority needs to save £100 million over three years (2012/2015). The national position beyond 2012/2013 is unclear at this stage and a revised public sector spending announcement is due in the autumn of 2012. This position could see Government funding being reduced even further. This would mean that the level of savings required would be even higher. Whilst the Council has some monies in reserves, these will not last for long. As such the Council is continuing a process to reduce its costs. In setting the 2012/2013 budget £36 million of savings will be indentified. That work has already begun to look at ways to tackle the competing demands for resources and delivering the right services for the people of Wiltshire to meet their local needs.

## **11 Feedback & further information on the content of these accounts**

The Statement of Accounts is intended to give the people, businesses, partners, employees and members of Wiltshire clear information about the Council's finances. Whilst accounts have to include large elements of technical data to comply with Accounting Standards, we believe that it is vital that we make it as easy as possible for people to read regardless of their background. We appreciate any comments you may have on the content and quality of these Accounts and your suggestions to improve them in future years.

Further information about the accounts may be made to

Chief Accountant  
Technical Accountancy  
Finance  
Wiltshire Council  
County Hall  
Trowbridge  
Wiltshire  
BA14 8JN

or

[centralfinanceyearend@wiltshire.gov.uk](mailto:centralfinanceyearend@wiltshire.gov.uk)

The full Statement of Accounts will be made available on the Council website. A Summary of the Accounts will also be published online. Interested members of the public have a statutory right to inspect the accounts before the audit is completed.

## 12 Concluding remarks

I would like to take the opportunity to thank all the staff who contributed to the early completion of the Statement of Accounts. Given the continual development of accounting standards and their complex nature, producing the accounts ready for approval by Chief Finance Officer by the end of June, is a considerable achievement.



**Michael Hudson, LLB(Hons), LLM, CPFA**  
Director of Finance (Section 151 Officer)  
Wiltshire Council

**28 September 2011**

## The Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required to:

- Arrange for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the management of those affairs. In this Authority, that officer is the Chief Finance Officer;
- Secure economic, efficient and effective use of its resources and to safeguard its assets;
- Approve the Statement of Accounts.

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts. This has, under the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice), to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year to 31 March 2011.

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected appropriate accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the Code of Practice.

The Chief Financial Officer has also:

- kept proper, up to date accounting records;
- taken reasonable steps to prevent and detect fraud and other irregularities.

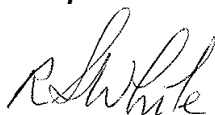
### The Statement of the Chief Finance Officer

The required financial statements have been prepared in accordance with the accounting policies.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wiltshire Council at 31 March 2011 and the income and expenditure for the year ended 31 March 2011.



**Michael Hudson**  
*Director of Finance*  
Wiltshire Council  
**28 September 2011**



**Clr Roy White**  
**Chairman, Audit Committee**  
**28 September 2011**

## ANNUAL GOVERNANCE STATEMENT

### A. Scope of Responsibility

1. Wiltshire 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 Council is also responsible for putting in place proper arrangements for the governance of its affairs, including the management of risk, and facilitating the effective exercise of its functions.

### B. The Purpose of the Governance Framework

3. The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which the Council accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
4. The assurance framework and the system of internal control are significant parts of that framework. They are designed to manage risk to a reasonable level. They 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 assurance framework and the system of internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The assurance framework also provides a mechanism for monitoring and implementing a system of continuous governance improvement.
5. The governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts for 2010/11.

### 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.
7. 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**

8. The Council's vision and goals are set out in its 4 year Business Plan, which was adopted by the Council on 22 February 2011. The Council's vision is to create stronger and more resilient communities and in support of this it has the following goals:
  - provide high quality, low cost customer focused services;
  - ensure local, open and honest decision making;
  - working with our partners to support Wiltshire's communities.
9. The Business Plan is supported by a Financial Plan, which demonstrates how it will be funded. The management of the Council's strategic risks helps achieve the Council's objectives.

**Policy and Decision-Making Framework**

10. 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, effective, transparent and accountable.
11. The Constitution defines the role and responsibilities of the key bodies in the decision-making process - the Council, Cabinet, and Committees, including the Strategic Planning Committee, Area Planning Committees, Licensing Committee, Overview and Scrutiny Select Committees, Standards Committee, Audit Committee, Staffing Policy Committee, Officer Appointments Committee and Area Boards.
12. The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee to ensure that it remains fit for purpose. The last major review was undertaken during 2010 by the Standards Committee with the assistance of its Constitution Focus Group. Amendments were agreed by the Council and implemented from 1 December 2010. The Constitution Focus Group remains in place to review the Constitution in the light of the Localism Bill and other relevant new legislation.
13. The Leader and Cabinet are responsible for discharging the executive functions of the Council, within the budget and policy framework set by the Council, and some of this is delegated to Area Boards.
14. The Council publishes a Forward Work Plan once a month giving details of all matters anticipated to be considered by the Cabinet over the following 4 months, including items which constitute a key decision.
15. Schemes of Delegation are in place for Cabinet Committees, Cabinet Members and Officers to facilitate efficient decision-making. The Leader has established two Cabinet Committees - the Cabinet Capital Assets Committee and the Cabinet Business Relief Committee.
16. The Council has established 18 area committees known as Area Boards. Each area board exercises local decision making under powers delegated by the Leader.
17. The Overview and Scrutiny arrangements consist of four main select committees covering Organisation and Resources, Children's Services, Environment, and Health and Adult Social Care. The Select Committees have established a number of standing and ad hoc task groups to undertake detailed monitoring and reviews. Rapid scrutiny exercises provide other opportunities when time constraints exist. Scrutiny member representatives can also be appointed to boards of major projects.
18. These arrangements serve to hold the Cabinet, its Committees, individual Cabinet Members and Corporate and Service Directors to public account for their executive policies, decisions and actions.
19. 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.

20. The Audit Committee is responsible for:

- monitoring and reviewing the Council's arrangements for corporate governance, risk management and internal control;
- reviewing the Council's financial management arrangements and approving the annual Statement of Accounts;
- focusing audit resources;
- monitoring the effectiveness of the internal and external audit functions;
- monitoring the implementation of agreed management actions arising from audit reports.

**Wiltshire Pension Fund**

21. 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 (e.g. in relation to the setting of employer contributions).

22. 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.

23. The Wiltshire Pension Fund Committee exercises its responsibilities in relation to investment management when it sets investment policy and appoints/monitors external investment managers.

**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. 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 and democratic services, finance, governance and procurement teams and by Internal Audit.

26. The following bodies have an important role in ensuring compliance:

- Audit Committee
- Overview and Scrutiny Committees and Task Groups
- Standards Committee
- Internal Audit
- External Audit and Inspection Agencies.

27. The Council has established a Governance Assurance Group whose membership is composed of senior officers with lead responsibility for key areas of governance and assurance, together with an elected member who is the vice-chair of the Audit Committee, and a member of the Standards Committee. Other officers and members attend by invitation to provide the Group with information about issues on which the steering group is seeking assurance. Officers can also bring any concerns about the Council's governance arrangements forward to the Group for consideration.

28. The Governance Assurance Group meets regularly, and has a forward work plan. It is responsible for gathering evidence for and drafting the Annual Governance Statement. It identifies any potential significant governance issues throughout the year, and oversees the implementation of measures to address these. It has a key role in promoting and supporting sound governance across the organisation.

29. The Group is supported by the Chief Executive, who acts as a link between the Group and the Corporate Leadership Team, ensuring that issues and activities identified by the Group are considered and addressed.

**Management of Resources, Performance and Risk**

***Financial management***

30. Financial management and reporting is facilitated by:

- monthly reports to Cabinet on the Council's Revenue Budget and Capital Programme;
- regular review by the Corporate Leadership Team;
- bi-monthly consideration of these reports by the Budget and Performance Task Group;
- budget monitoring by Service Managers;
- compliance with the Council's Budgetary and Policy Framework, Financial Regulations and Financial Procedure Rules;
- compliance with external requirements, standards and guidance;
- publication of Statement of Accounts;
- overseeing role of the Audit Committee.

31. The Council's financial management arrangements are consistent with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government, issued in 2010.

***Performance and Risk Management Reporting***

32. The Council's Business Plan sets out how the Council will:

- protect our most vulnerable citizens by investing in their services;
- invest in the future of Wiltshire by enhancing key service areas;
- keep the council tax low.
- make savings to cover the cut in government funding and projected investments.

33. It also identifies the benefits and outcomes to be delivered over the next four years. These are supported by corresponding programmes and measures, with clear responsibilities for delivery. A new 'scorecard' approach will be introduced in 2011/12 to report progress on the Business Plan. This builds on the quarterly progress reports used for the Corporate Plan in 2010/11.

34. The Risk Management Strategy has been reviewed to ensure that risk management arrangements remain appropriate and reflect the Business Plan. The revised strategy strengthens risk management arrangements and complies with good practice so that opportunities and threats are identified and managed to help achieve the Council's priorities.

35. Reports which cover the significant corporate risks are submitted to the Corporate Leadership Team on a quarterly basis and to the Audit Committee six monthly.

36. The Council's Business Continuity Policy provides a framework to maintain and develop business continuity arrangements at both corporate and service levels. It sets out the responsibilities of different management levels and groups as part of this process. Within this framework the Council has a Corporate Business Continuity Plan, which outlines the arrangements that will operate in the event of a major service disruption. Service Business Continuity Plans are being developed in conjunction with the Corporate Business Continuity Plan to address service specific issues and incidents.

**Internal Audit**

37. 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.

38. Internal Audit has the following additional responsibilities:

- providing support to the Chief Finance Officer in meeting his responsibilities under Section 151 of the Local Government Act 1972, to make arrangements for the proper administration of the Council's financial affairs;
- investigating any allegations of fraud, corruption or impropriety;
- advising on the internal control implications of proposed new systems and procedures.

39. 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 Corporate and Service Risk Registers. The Plan is agreed with Corporate Directors and Service Directors, and presented to the Audit Committee for approval. The Committee 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 Council as a whole.

**External Audit and Inspections**

40. The Council is subject to reviews by external inspection agencies, OFSTED, and the Care Quality Commission (CQC). The results of these inspections are used to help strengthen and improve the Council's internal control environment and help secure continuous improvement.

**Directors Assurance Statements**

41. Directors' assurance statements have been obtained from all service directors and reviewed by the Assurance Group. These confirm that suitable governance arrangements were in operation within each department during the relevant period and there are no significant governance issues to report other than those referred to in Section E

**Monitoring Officer**

42. The Monitoring Officer has not made any adverse findings in the course of the exercise of his statutory responsibilities.

**D. Review of Effectiveness**

43. 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 Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

44. The key principles of corporate governance are set out in the Council's Code of Corporate Governance as follows:

- Focusing on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area;
- Engaging with local people and other stakeholders to ensure robust public accountability;
- Ensuring that members and officers work together to achieve a common purpose with clearly defined functions and roles;
- Promoting high standards of conduct and behaviour, and establishing and articulating the Council's values to members, staff, the public and other stakeholders;

- Taking informed, risk based and transparent decisions which are subject to effective scrutiny; and
- Developing the capacity of members and officers to be effective in their roles.

45. The effectiveness of the Council's assurance framework and system of internal control is assessed against these six principles.

**Focus on the purpose of the Council and on outcomes for the community, creating and implementing a vision for the local area**

46. The Council's vision and goals are set out in its Business Plan 2011-2015. This is consistent with the long term priorities that are set out in the Community Plan 2011-2026.

47. The Community Plan (our sustainable community strategy) was developed with partners during 2010/11 and approved by the Council on 17 May 2011. It gives partner organisations a set of general principles to check their plans against. It has three long term priorities:

- Creating an economy that is fit for the future;
- Reducing disadvantage and inequalities;
- Tackling the causes and effects of climate change.

**Engaging with local people and other stakeholders to ensure robust public accountability**

48. The Council has taken steps to make its purpose and responsibilities clear to staff and the community it serves. These have included:

- A series of 18 community area seminars during March and April 2011 discussing the Council's approach to localism as set out in the Business Plan, what this means for communities and the role local people can play in the future.
- Regular staff briefings by the Leader and Chief Executive and involvement in the corporate induction process.
- Communication channels, including the Council's website and Intranet, Team Wire and Elected Wire (an on-line briefing for staff and councillors respectively), Your Wiltshire residents magazine, delivered to all households in Wiltshire and providing information about Council services, how to get involved, and information from partner agencies. The Council also arranges face-to-face events, including road shows, area boards, contact centres, customer forums and exhibitions.

49. The ongoing development of area boards has played a key role in ensuring robust public accountability and engagement with more than 7,200 people attending area board meetings. Over 1,000 local issues have been resolved and over £ 750,000 has been allocated to support 250 community projects, generating in excess of £ 3 million of external funding and investment in our communities.

50. The governance arrangements for the area boards is set out in the Council's Constitution and in further detail in the Area Board Handbook.

51. The Leader undertook a review of the operation of area boards in 2010, involving consultation with councillors, parish councillors, officers, partners and the general public. The review highlighted a number of actions to be taken to develop area boards, and in particular to:

- ensure that a representative cross section of the community is engaged at a local level;
- enhance the area boards' decision making role;
- clarify and promote the role of the community area partnerships;
- raise public awareness of the area boards;
- recognise and enhance the role of parishes within the area board framework.

52. A further review is being undertaken during 2011 to assess progress in addressing these issues.

53. Town and Parish Councils have been consulted to determine which functions and responsibilities they would like to have delegated to them and this work continues to be developed. During 2010/11 a number

of council assets were transferred to parish councils and other community groups. The Council has adopted a policy for the transfer of assets and continues to keep the governance issues under review.

54. The Council has developed a four year procurement plan that aims to deliver £ 36 million of cashable savings to the Council's revenue budget. The plan is governed by the Corporate Procurement Board, which is chaired by the Director of Resources and has membership from each of the Council's departments at service director level, as well as the Cabinet Member for Procurement.

55. The procurement plan aims to deliver the necessary savings by:

- influencing future spend with our external supplier base;
- negotiating existing arrangements with our key suppliers;
- redesigning and streamlining our procurement processes to make them more efficient;
- developing procurement staff to enable them to deliver the procurement plan.

56. The existing Partnership Protocol and Register has been reviewed and updated to ensure that all partnerships across Wiltshire Council are captured. The revised protocol will ensure that partnerships are underpinned by good governance and to complement the protocol a new electronic database and supporting guidance have been developed.

#### **Ensuring that members and officers work together to achieve a common purpose with clearly defined functions and roles**

57. The Constitution sets out clearly the roles and responsibilities of members and officers in the decision making process. This includes schemes of delegation which were reviewed in 2010 as part of the review of the Constitution.

58. The Council has adopted a Member and Officer Relations Protocol which:

- outlines the essential elements of the relationship between members and officers;
- promotes the highest standards of conduct;
- clarifies roles and responsibilities;
- ensures consistency with the law, codes of conduct and the Council's values and practices; and
- identifies ways of dealing with concerns by members or officers.

#### **Promoting high standards of conduct and behaviour, and establishing and articulating the authority's values to members, staff, the public and other stakeholders**

59. All staff are required to meet high standards of ethical conduct under the Officers' Code of Conduct. A revised Code of Conduct for Officers was introduced in May 2010.

60. The Council has a Whistle Blowing Policy and an Anti-Fraud and Corruption Policy which were updated in 2010. It has also introduced an Anti Money Laundering Policy. The Standards Committee receives an annual report on the effectiveness of the whistle blowing policy. The Audit Committee has responsibility for monitoring the implementation of the Anti Fraud and Corruption Policy and Strategy and the Anti Money Laundering Policy.

61. The Council's Governance Team is responsible for customer complaints, access to information legislation, the Code of Conduct for Members, and the promotion of good governance within the Council and with key partners, including the town and parish councils of Wiltshire. This helps to ensure that robust governance arrangements are supported across the Council.

62. The Council is developing a culture that reflects a modern, new organisation that embraces change, treats everybody fairly and values diversity. To this end it has agreed the following core values:

- Placing its customers first;
- Strengthening its communities;
- Adopting a 'can-do' approach in everything it does.

63. The Council's Standards Committee plays an important role in overseeing and promoting ethical governance throughout the Council, and this role is established in the Council's Constitution. Further information on its work is contained in its Annual Report for 2010-11. In particular, the Committee is playing an active role in ensuring that the Council has in place arrangements to promote and maintain high standards of conduct following the proposed abolition of the current statutory standards regime as a result of the Localism Bill.
64. The Standards Committee has maintained oversight of ethical governance, receiving reports on the efficacy of the whistle-blowing procedure, customer complaints procedures, the member's Register of Interests, and a range of other governance matters.
65. The Committee has fulfilled its statutory role by receiving, assessing and determining complaints brought under the Code of Conduct for Members in Wiltshire Councils, and has worked to ensure that the processes that underpin this statutory function are kept under review to ensure that they work effectively.

### **Internal Audit**

66. Internal Audit 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, which lays down the mandatory professional standards for the internal audit of local authorities. The latest review of Internal Audit by the Council's external auditors, KPMG, confirmed that Internal Audit is meeting the various standards laid down by the Code of Practice. Although there were issues highlighted by KPMG in respect of IT audit work these issues have now been addressed.
67. The Internal Audit Annual Report summarises the results and conclusions of the audit work throughout the year, and provides an independent audit opinion on the internal control environment for the Council as a whole.
68. The levels of assurance obtained from the range of audits completed during the year has led Internal Audit to the overall audit opinion that for 2010-11 it is able to give a substantial assurance on the adequacy and effective operation of the Council's overall control environment. This represents an improvement over the previous year, when the audit opinion was one of limited assurance, following the major structural reorganisation of moving from five councils into one.
69. The response of management throughout the Council to the results of audit work has continued to be positive and constructive, and in the main appropriate action is being taken to manage the risks identified in audit reports. Progress on the implementation of agreed management actions is reported regularly to the Audit Committee.
70. Following a recommendation from the Audit Committee, Internal Audit reports and recommendations for management action are to be received by the relevant Cabinet Members.

### **External**

71. The latest report to those charged with governance, issued by KPMG in respect of Wiltshire Council for 2009/2010, was presented to the Audit Committee in September 2010. The Letter summarised the key issues arising from the audit of Wiltshire Council for the year ended 31 March 2010 and an assessment of the Authority's arrangements to secure value for money in its use of resources.
72. The letter highlighted the key message as follows:
- KPMG concluded that "overall, there are sufficient procedures in place for Managing Finances, with significant improvements noted in the financial statements process." However, KPMG highlighted "that improvements could be made in cost/performance benchmarking, fees and charges strategy and debt monitoring."
  - KPMG concluded that "The Council continues to actively manage its resources with a significant programme in place to rationalise its assets, but areas of improvement can still be made in workforce planning arrangements and obtaining internal and external feedback on staffing matters. Procedures for Governing the Business remain robust overall, and improvements have been made in Data Security"

- KPMG stated that they “have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately. There were also a couple of areas where the Authority has made significant adjustments to the accounts following further considerations made arising from the audit process.”
- An unqualified audit opinion was issued for the 2009/2010 Statement of Accounts. They also reported that the wording of the 2009/2010 Annual Governance Statement accords with their understanding.

### **Taking informed, risk based and transparent decisions which are subject to effective scrutiny**

73. 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.

74. Risk assessment forms an integral part of management reporting supporting the decision making process.

75. Work of the Council’s Overview and Scrutiny Select Committees, task groups and associated activities have focused on:

- Supporting/challenging the delivery of one council benefits and efficiencies, service redesign, harmonisation and transformation;
- Monitoring the performance of the Council’s major service providers including external contractors and partners;
- Reviewing the implementation of major corporate projects;
- Monitoring the Council’s (and its statutory partners) performance against targets;
- Engaging in the Council’s budget setting process and budget monitoring;
- Engaging in the development of the Council’s new (four year) Business Plan;
- Initiating reviews into matters of local concern relating to service delivery and contributing to the development and review of policy, including:
  - Gynaecological cancer services, out of hours services, end of life care strategy, Care Quality Commission annual assessment and inspection report, Focus project, Local Safeguarding Adults Board, burn care and soft tissue sarcoma services, GWR ambulance services performance, Dementia Strategy, Helping People to Live at Home review, head and neck cancer services, funding of carers services, mental health services reconfiguration, older people accommodation strategy.
  - Carbon reduction plan, PFI for housing, flood risk management, Local Transport Plan, renewable energy, car parking and waste collection.
  - special educational needs (SEN) in mainstream schools, special schools and post-16 SEN, placements for looked after children, adoption and fostering processes, PFI schools, and provision of 16-19 education in specific areas of the county. In considering Cabinet proposals for changes to special educational needs, scrutiny members expressed concern that the public consultation had not aided people’s understanding of the relevant issues and the objectives of the review. In response, the Cabinet implemented a number of measures to improve the Council’s public consultations in the future.

The work of the Overview and Scrutiny Committee is being reviewed in order to ensure that it aligns more closely with the Council’s business plan.

76. The work undertaken by the Audit Committee this year has included:

- review and approval of the first Annual Governance Statement and Statement of Accounts of the new Council for 2009/10;
- review of the work and findings of Internal Audit, including the Annual Report and audit opinion on the control environment;
- review of the Council's risk managements arrangements;
- review of the work and findings of External Audit, including the Annual Audit Letter and Report to Those Charged with Governance.

77. Risks are identified and monitored by service departments. Significant risks are identified and reviewed on a regular basis by the Corporate Risk Management Group. Reports are issued on the significant risk areas through the Council's reporting arrangements. Training on Risk Management is delivered to Members annually, including the development of specific training for staff involved in risk arrangements as a result of their work.

78. The risks associated with major projects are managed through project management arrangements with regular reporting to the relevant boards and member bodies.

79. From March 2010 work has focused on improving the Corporate Business Continuity Plan. Representatives of services that would have to take a lead role in various kinds of service disruption were involved in designing the response arrangements to ensure that they are realistic and appropriate. The benefit of these arrangements is that they are sufficiently generic to respond to a wide range of service disruptions, using in-house resources as a first line of defence and taking advantage of the flexibility provided by the Campus and Operational Delivery Programme. The Corporate Business Continuity Plan was presented to the Corporate Leadership Team in November 2010 and has been published internally.

80. Awareness of the business continuity process and response arrangements has been variable across the organisation. Since December 2010 Business Impact Analyses data quality has improved through individual reviews on a service level. Further work will be undertaken with service representatives to improve and embed their business continuity arrangements within their services and to widen the general awareness of business continuity amongst all employees. This will also be used to introduce the identification of expected costs of business continuity strategies.

81. The Business Continuity Policy was reviewed in summer 2010 in order to improve management arrangements.

82. The Council's Business Plan sets out how the Council will manage the risks and challenges arising from the reduction in government funding ( 28.4% over the next 4 years), and the substantial changes in the way local government is organised.

#### **Developing the capacity of members and officers to be effective in their roles**

83. 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.

84. The Council's Councillor 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 councillor development annually to inform the allocation of funding for future years.

85. A cross party Councillor Development Group meets every eight weeks to monitor the budget and to discuss progress and ideas on member development.
86. Wiltshire Council was externally assessed by South West Councils on 9 August 2011 and was subsequently awarded Charter Status for Councillor Development. This is recognition that the Council has achieved best practice in the way it provides learning and development opportunities for its elected councillors. The accreditation lasts for three years.
87. A Comprehensive Councillor Development Programme has been produced for 2011/12. This covers a range of topics from community leadership to ICT skills and links in with the corporate aims and values of the Council. The programme also anticipates the new challenges that will be faced by councillors in relation to the big society and localism agenda.
88. Councillors are asked to complete a training needs assessment form each year and are also offered a one to one meeting with a learning and development professional. The training needs highlighted by this process are taken into account when producing the development programme to ensure that it is member led.
89. Wiltshire Council continues to deliver key actions from the People Strategy 2008-2012. The People Strategy is being refreshed to link and support the key priorities identified in the Council's Business Plan. The delivery of the People Strategy is critical to enabling us create the capacity we need to work in different ways and successfully meet current and future challenges.
90. Key priorities are:
- Leadership and Management Development - Programmes of development ongoing;
  - Councillor Development - a programme has been developed with and for Elected Members;
  - Performance Development Framework (Appraisal) refreshed to incorporate the new Council Values and Behaviours and in an electronic format;
  - A business focused blended learning programme of employee learning which will include the changing capability requirements e.g. commissioning and partnership skills;
  - Corporate Workforce Planning framework - the organisational wide workforce plan is critical in identifying the people resources required now and in the future to deliver the priorities identified in the Business Plan;
  - Continue to deliver a programme of Harmonisation of Terms and Conditions;
  - Continue to deliver an Employee Assistance Programme in partnership with Job Centre Plus, Independent Financial Advisers and Occupational Health for managers and staff who are at risk of redundancy as part of Service Reviews and operational restructuring;
  - Revision of Terms and Conditions of employment to deliver savings to ensure that we have a set of terms and conditions that helps us to compete effectively in the labour market and support retention of key knowledge and skills required to deliver services.

**E) Significant Governance Issues**

91. The following have been identified as significant governance issues in view of their size, complexity and impact on the delivery of the Council's priorities:

**SAP Financial Systems**

92. Last year's Annual Governance Statement identified a significant governance issue with regard to the implementation of the SAP system to administer the Council's core financial systems. This represented a very significant transition for the processing of financial transactions, with the result that during the transitional period in 2009-10 there was an adverse impact on system controls.
93. Since that time considerable work has been undertaken throughout 2010-11 in order to ensure that financial controls have been improved within SAP systems. In addition, further work has been

undertaken and is in progress as follows, in order to ensure that the Council derives the maximum benefit from its implementation of SAP:

- The Council's external auditors, KPMG, undertook a post-implementation review of SAP, which was reported to the Overview and Scrutiny Organisation and Select Committee in November 2010, and the Audit Committee in December 2010. The report concluded that ultimately the Council had achieved a great deal in successfully implementing a major SAP system. Nevertheless, the report identified a series of recommendations aimed at improving the management of future major projects, and these are being taken forward as part of current proposals for the further development of SAP.
- In order to rationalise, improve and develop SAP further, and help meet corporate plans to improve efficiency and effectiveness, a programme of work is underway to address both short-term implementation developments in SAP, and longer-term development needs. The overall aims of this work are to improve users' experience of SAP, reduce duplication and maintenance of data, and deliver meaningful and timely management information to service managers.

### **Housing Landlord Service Improvement Plan**

94. Following a poor Audit Commission report in May 2010 an improvement plan was developed that put in place over 100 actions, addressing all the recommendations arising from the inspection and reflecting local aspirations. Three quarters of the actions in the plan have been completed.

95. In May 2011 Cabinet agreed a new plan for improvement of the Council's Housing Landlord Service, addressing the remaining actions from the initial plan, but within a new context resulting from major changes in finance, regulation, tenancies and allocations, and new service standards developed by the Tenants Services Authority.

96. The new plan contains just over 40 key actions which ensure that focus is maintained on the areas of weakness.

97. Progress against the new plan will be monitored carefully.

### **Implementation of the Transformation Programme**

98. In February 2011 the Council approved a comprehensive Business Plan, setting out how it intends to meet the significant challenges that the Council is facing over the next four years and deliver its vision to create stronger and more resilient communities. The Business Plan is ambitious and involves major transformational change to make the Council as efficient as possible and equipped for the future.

99. The Council is developing robust governance arrangements to underpin the delivery of the Business Plan and the effective management of the risks involved.

100. Issues arising from the transition to a unitary authority, including harmonisation of policies and practices, were identified as a significant governance issue in last year's AGS. The majority of those issues have now been addressed. However, any that remain outstanding have been identified and there are clear plans in place to ensure that they are resolved. Monitoring will continue until this work has been completed.

### **Managing Significant Reductions in Government Funding and Changes in Legislation.**

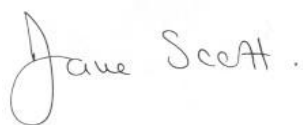
101. Following the General Election in May 2010 and the Coalition Government's Comprehensive Spending Review, the Council is required to absorb a reduction of 28.4% in grant funding from the Government over the next four years and respond to major changes in local government legislation. At the same time it must manage the increasing demand for services, for example, to protect vulnerable children and adults. The Council's Business Plan sets out how these challenges will be met, but the position needs to be closely monitored to ensure that the pressures arising from these changes, particularly in children and adult care services, are effectively managed.

**Governance Arrangements for Dealing with Complaints Involving Third Parties**

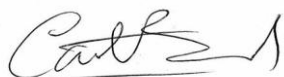
102. The Council is undertaking a review of its governance arrangements for dealing with complaints made to the Council about third party bodies with which it is involved. This follows a review of the Council's handling of a complaint regarding an equality and diversity issue in which two other organisations were involved.

**Proposed Senior Management Restructuring**

103. The Leader has initiated a consultation process on a proposal to achieve financial savings through a restructuring of the senior management team, involving the removal of the post of chief executive and a corporate director post. The Cabinet will be considering this proposal in the light of the outcome of the consultation on 6 October 2011. The risks and governance issues associated with this proposal will be considered as part of the decision making process.



Jane Scott OBE  
Leader of the Council



Dr Carlton Brand  
Corporate Director  
Transformation & Resources

## **Independent Auditors' Report to the Members of Wiltshire Council**

We have audited the financial statements of Wiltshire Council for the year ended 31 March 2011 on pages 23 to 97. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Authority, 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 the members of the Authority, 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 the members of the Authority, 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 auditors**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, set out on page 6, the Chief Finance Officer is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Chief Finance Officer; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement set out on pages 7 to 19 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11(3) of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

## 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 to review regularly the adequacy and effectiveness of these arrangements.

### Auditors' Responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### Basis of Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

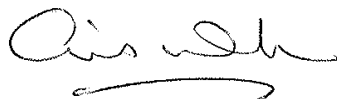
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Wiltshire Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

### Certificate

We certify that we have completed the audit of the financial statements of Wiltshire Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.



**Chris Wilson**  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
100 Temple Street  
Bristol  
BS1 6AG

28 September 2011

## Movement in Reserves Statement

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	General Fund Balance £000	Earmarked GF Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	(13,340)	(60,097)	(10,942)	(21,343)	(1,144)	0	(106,866)	(533,912)	(640,778)
<b>Movement in reserves during 2009/10</b>									
Surplus or (deficit) on provision of services	61,181	0	2,835	0	0	0	64,016	0	64,016
Other Comprehensive Expenditure and Income	0	0	0	411	(491)	0	(80)	242,664	242,584
<b>Total Comprehensive Expenditure and Income</b>	61,181	0	2,835	411	(491)	0	63,936	242,664	306,600
Adjustments between accounting basis & funding basis under regulations	(42,956)	0	(4,639)	17,916	1,003	(2,552)	(31,228)	31,228	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	18,225	0	(1,804)	18,327	512	(2,552)	32,708	273,892	306,600
Transfers (to)/from Earmarked Reserves	(18,655)	18,655	0	0	0	0	0	0	0
<b>(Increase)/Decrease (movement) in Year</b>	(430)	18,655	(1,804)	18,327	512	(2,552)	32,708	273,892	306,600
<b>Balance at 31 March 2010 carried forward</b>	(13,770)	(41,442)	(12,746)	(3,016)	(632)	(2,552)	(74,158)	(260,020)	(334,178)
<b>Movement in reserves during 2010/11</b>									
Surplus or (deficit) on provision of services	68,005	0	13,974	0	0	0	81,979	0	81,979
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(214,839)	(214,839)
<b>Total Comprehensive Expenditure and Income</b>	68,005	0	13,974	0	0	0	81,979	(214,839)	(132,860)
Adjustments between accounting basis & funding basis under regulations	(61,264)	0	(14,578)	3,016	(511)	(23,240)	(96,577)	96,577	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	6,741	0	(604)	3,016	(511)	(23,240)	(14,598)	(118,262)	(132,860)
Transfers (to)/from Earmarked Reserves	(6,897)	6883	14	0	0	0	0	0	0
<b>(Increase)/Decrease in Year</b>	(156)	6,883	(590)	3,016	(511)	(23,240)	(14,598)	(118,262)	(132,860)
<b>Balance at 31 March 2011 carried forward</b>	(13,926)	(34,559)	(13,336)	0	(1,143)	(25,792)	(88,756)	(378,282)	(467,038)

Further details of the movement of the General Fund are included in the Statement of Movement of General Fund Balances. Further details of the movement on the Housing Revenue Account are included in the HRA statement.

# Comprehensive Income and Expenditure Statement

This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Authority. Prior year figures have been restated following the conversion to International Financial Reporting Standards (IFRS).

	2010/2011			2009/2010		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
<b>General Fund Services</b>						
Central Services to the Public	33,900	(29,543)	4,357	5,915	(2,302)	3,613
Cultural, Environment & Planning	158,741	(31,762)	126,979	110,974	(27,262)	83,712
Children's and Education Services	578,032	(400,211)	177,821	517,974	(387,518)	130,456
Highways, Roads & Transport Services	54,956	(16,581)	38,375	54,044	(15,193)	38,851
Housing Services General Fund	129,901	(107,255)	22,646	157,971	(143,947)	14,024
Housing Services HRA	36,716	(22,062)	14,654	24,978	(21,776)	3,202
Adult Social Care	156,769	(29,521)	127,248	147,316	(26,202)	121,114
Corporate & Democratic Core	5,089	(1,435)	3,654	6,464	(1,382)	5,082
Non-distributed Costs	(93,303)	(8,532)	(101,835)	8,420	(57)	8,363
Exceptional Costs - Termination benefits (note 16)	8,309	0	8,309	9,019	0	9,019
<b>Net Cost of Service (See note 28)</b>	1,069,110	(646,902)	422,208	1,043,075	(625,639)	417,436
Other operating Expenditure		Note 9	66,484			17,456
Financing and Investment Income and Expenditure		Note 10	24,843			29,518
Taxation and non-specific grant income		Note 11	(431,556)			(400,394)
<b>(Surplus)/ Deficit on Provision of Services</b>			81,979			64,016
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(46,762)			(14,113)
Actuarial (gains)/losses on pension assets / liabilities			(168,077)			256,864
Other Items			0			(167)
<b>Other Comprehensive Income and Expenditure</b>			(214,839)			242,584
<b>Total Comprehensive Income and Expenditure</b>			<b>(132,860)</b>			<b>306,600</b>

## Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2011, 2010 and 2009. Prior year figures have been restated following the conversion to International Financial Reporting Standards (IFRS). For further information, please see Note 51.

	NOTES	31 March 2011 Wiltshire Council		31 March 2010 Wiltshire Council	31 March 2009 Wiltshire Council
		£000	£000	£000	£000
<b>Property, Plant and Equipment</b>					
- Council dwellings & garages		158,906		245,595	249,823
- Other land and buildings		427,105		544,538	577,505
- Vehicles, plant, furniture and equipment		118,038		17,496	20,493
- Infrastructure		223,022		202,333	198,337
- Community assets		6,346		5,458	5,468
- Assets under construction		56,024		72,274	17,659
- Surplus assets not held for sale		3,908		76	142
	12		993,349	1,087,770	1,069,427
<b>Investment properties</b>	13	32,692		41,891	44,699
<b>Intangible Assets</b>	14	8,593		9,317	11,391
<b>Assets held for sale</b>	20	0		0	0
<b>Long Term Investments</b>	57	3,043		5,003	0
<b>Long term debtors</b>	54	2,379		2,632	2,444
			46,707		
<b>Long Term Assets</b>			1,040,056	1,146,613	1,127,961
<b>Current Assets</b>					
Short term investments	57	78,755		57,626	97,374
Inventories		881		813	920
Short Term Debtors	18	56,465		63,014	62,387
Other Current Assets		0		0	0
Cash and Cash Equivalents	19	27,743		25,960	33,425
Assets Held for Sale	20	0		0	0
<b>Current Assets</b>			163,844	147,413	194,106
<b>Current Liabilities</b>					
Short Term Creditors	21	(104,129)		(99,554)	(109,719)
Capital Grants and Contributions RIA		(61)		(13,330)	(18,803)
Bank Overdraft	15	(6,116)		(11,571)	(20,492)
Short Term Borrowing	55	(2,192)		(1,040)	(5,130)
Provisions	22	(5,520)		(3,299)	(2,670)
<b>Current Liabilities</b>			(118,018)	(128,794)	(156,814)
<b>Long Term Liabilities</b>					
Long Term creditors (Inc PFI)	42	(41,429)		(42,182)	(40,651)
Provisions	22	0		0	0
Long Term Borrowing	55	(245,005)		(205,870)	(186,656)
Other long term Liabilities		(65)		(625)	(988)
Pension Fund Liability	24c & 46	(311,423)		(564,942)	(290,049)
Planning Deposits		(19,729)		(16,004)	(5,475)
Government Grants Deferred		0		0	0
Capital Contributions Deferred		0		0	0
Deferred Liability		(1,193)		(1,431)	(656)
<b>Long Term Liabilities</b>			(618,844)	(831,054)	(524,475)
<b>Net Assets</b>			467,038	334,178	640,778
<b>Financed by</b>					
Useable Reserves			(88,756)	(74,158)	(106,866)
Unuseable Reserves			(378,282)	(260,020)	(533,912)
<b>Total Reserves</b>	24		(467,038)	(334,178)	(640,778)



Michael Hudson Director of Finance 28 September 2011

## Cashflow Statement

This consolidated statement summarises the movement of cash between the Authority and third parties for both capital and revenue purposes.

	NOTES	2010/2011 £000	2009/2010 £000
<b>Net (surplus) or deficit on the provision of services</b>		81,979	64,016
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(78,696)	(50,738)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(6,944)	(7,740)
<b>Net cash flows from Operating Activities</b>	25	<b>(3,661)</b>	<b>5,538</b>
Investing Activities	26	36,710	8,130
Financing Activities	27	(40,287)	(15,124)
Net (increase) or decrease in cash and cash equivalents		<b>(7,238)</b>	<b>(1,456)</b>
Cash and cash equivalents at the beginning of the reporting period		14,389	12,933
Cash and cash equivalents at the end of the reporting period		21,627	14,389

## Notes to the Core Financial Statements

For ease of reference, the notes 1-46 are included in the statement in the same order as advised in the Statement of Recommended Practice.

### Note 1 Accounting Policies

#### i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/2011 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

#### ii. 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:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 revenue 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 debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### iii. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Provision for Back Pay Arising from Unequal Pay Claims**

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

### **Landfill Allowance Schemes**

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Council (WDA) are recognised as current assets and are initially measured at fair value.

Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination).

The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **iv. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. 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 Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies below.

**v. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**Area Based Grant**

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

**vi. Employee Benefits****Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves

Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

### Post Employment 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 Education (DfE)
- The Local Government Pensions Scheme, administered by Wiltshire 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' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement 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 fund 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 5.5% (based on the gross redemption yield on the Iboxx Sterling Corporates Index, AA over 15 years, at the IAS1( valuation date, subject to the removal of recently re-rated bonds from the index).

The assets of Wiltshire pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- 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 Comprehensive Income and Expenditure Statement to the 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 the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- 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 the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Wiltshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **vii. VAT**

All transactions are recorded excluding VAT, except where it is irrecoverable.

#### **viii. 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 2010/11* (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 Authority's status as a multifunctional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

#### **ix. Intangible Fixed Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Amortisation, impairment losses and disposal gains and losses can be charged to the consolidated income and expenditure account. However, they are not permitted to have an impact on the General Fund Balance, so the gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement.

**x. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition:** Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement:** Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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:** Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified, they are accounted for as follow:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e.

freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – Straight line allocation over a useful life of 5 years
- Infrastructure – straight-line allocation over 60 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components 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.

### **Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets) are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

### **xi. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

### **xii. Charges to Revenue for Non-Current Assets**

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of a Minimum Revenue Provision (MRP).

Housing Revenue Account capital charges are calculated in accordance with the prescribed statutory determination.

### **xiii. Revenue Expenditure Funded From Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### **xiv. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### **The Authority as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets.

##### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

#### **The Authority as Lessor**

##### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as a gain or loss on disposal.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received)
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## **xv. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

### **Loans and receivables**

#### **Financial Assets**

Financial assets are classified into two types:

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

#### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) 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 to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement 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 Movement in Reserves Statement.

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 relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company
- valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **xvi. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

#### **xvii. Interest in companies and other entities**

The council has no material interest in any companies or other entities.

#### **xviii. Private Finance Initiative (PFI)**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- i. Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- ii. Finance cost – an interest charge made on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- iii. Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- iv. Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- v. Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

#### **xix. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

#### **xx. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of

change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

#### **xxi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **xxii. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

#### **xxiii. Non-Compliance with Code of Practice**

For operational reasons, the accounts do not fully comply with the Code of Practice on minor points. The main non-compliance is in relation to debtors and creditors. Whilst the accounts are maintained on an accruals basis i.e. all sums due to or from the Council are included whether or not the cash has actually been received or paid in the year, exceptions are made for quarterly utilities payments based on meter reading dates. Since these policies are applied consistently year on year, they have no material effect on any one year's accounts.

#### **Note 2 Accounting Standards that have been issued but have not yet been adopted**

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 *Heritage Assets*.

The adoption of FRS 30 *Heritage Assets* by the Code will result in a change of accounting policy that requires disclosure in line with the 2011/12 Code.

An authority shall, where material, disclose the following items in the 2010/11 financial statements (to the extent that the information is known or reasonably estimable):

Heritage Assets will be examined during 2011/2012 and will be disclosed as a separate asset class in the 2011/2012 statement of accounts in accordance with FRS 30.

Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art.

**Note 3 Critical Judgements in applying accounting policies**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- An Authority invested a total of £12m in Heritable and Landsbanki banks before they both collapsed in 2008. Further details of the impacts of this are in note 58.

**Note 4 Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. The total depreciation charge made in 2010/2011 on PPE assets was £38m so if the assumptions were to change this could have an effect on the amount of depreciation charged in future years.
<b>Provisions</b>	The Authority has made a provision of £1.569m for the settlement of pay reform, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable. Further information is found in note 22.	An increase over the forthcoming year of in either the total number of claims or the estimated average settlement would each have the effect of adding to the provision needed
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be	The effects on the net pensions liability of changes in individual assumptions can be measured and further details of the assumptions are in note 47.

	applied.	
<b>Arrears</b>	At 31 March 2011, the Authority had a balance of debtors of £63m. We had a bad debt provision of £7m or 11% of the debt. In the current economic climate it is not certain that the provision will be sufficient.	If collection rates were to deteriorate, an additional bad debt provision would have to be made. See note 18 for further details.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

**Note 5 Material items of income and expense**

In 2010 the Government announced that in future the Pension Increase Orders would be linked to the CPI rather than RPI. This impacts on the increases applied to pensions currently in payment, as well as the revaluation of pensions for deferred members. A credit entry of £103 million is reflected within the Comprehensive Income & Expenditure Statement (Non Distributed Costs), in accordance with the Code. This loss is not a proper charge against the net movement in the year and is, therefore, transferred to the Pensions Reserve and reported as an adjustment within the Movement in Reserves Statement.

All other items of material income and expenditure are disclosed in the Comprehensive Income and Expenditure Statement.

**Note 6 Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Director of Finance on 28 September 2011. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Note 7 Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

Reserve 2009/2010	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Charges for depreciation and impairment of non-current assets	(68,952)	(8,479)				(77,431)	77,431	0
Revaluation losses on Property Plant and Equipment						0		0
Movements in the market value of Investment Properties								
Amortisation of intangible assets	(3,239)					(3,239)	3,239	0
Capital grants and contributions applied								
Movement in the Donated Assets Account								
Revenue expenditure funded from capital under statute	(16,652)					(16,652)	16,652	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(5,266)	372	(5,761)			(10,655)	10,655	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	11,004					11,004	(11,004)	0
Capital expenditure charged against the General Fund and HRA balances	4,747					4,747	(4,747)	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	55,758				(55,758)	0		0
Application of grants to capital financing transferred to the Capital Adjustment Account	0				53,206	53,206	(53,206)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement								
Use of the Capital Receipts Reserve to finance new capital expenditure			23,217			23,217	(23,217)	0
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals								
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(683)		683					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash								
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>								
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement			(223)			(223)	223	0
<b>Adjustment primarily involving the Major Repairs Reserve</b>								
Reversal of Major Repairs Allowance credited to the HRA	0	3,429		5,050		8,479	(8,479)	0
Use of the Major Repairs Reserve to finance new capital expenditure				(4,047)		(4,047)	4,047	0
<b>Adjustment primarily involving the Financial Instruments Adjustments Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	450					450	(450)	0
<b>Adjustments primarily involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(42,065)					(42,065)	42,065	0
Employer's pensions contributions and direct payments to pensioners payable in the year	23,996	39				24,035	(24,035)	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(116)					(116)	116	0
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0					0		0
<b>Adjustment primarily involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,938)					(1,938)	1,938	0
							0	
<b>Total Adjustments</b>	<b>(42,956)</b>	<b>(4,639)</b>	<b>17,916</b>	<b>1,003</b>	<b>(2,552)</b>	<b>(31,228)</b>	<b>31,228</b>	<b>0</b>

Reserve 2010/2011

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Charges for depreciation of non-current assets	(15,398)	(8,444)				(23,842)	23,842	0
Charges for impairment of plant, property and equipment	(136,692)	(13,002)				(149,694)	149,694	0
Charges for impairment of investment properties	(18,138)					(18,138)	18,138	0
Revaluation losses on Property Plant and Equipment	8,536					8,536	(8,536)	0
Movements in the market value of Investment Properties								
Amortisation of intangible assets	(2,505)					(2,505)	2,505	0
Capital grants and contributions applied	0					0	0	0
Movement in the Donated Assets Account								
Revenue expenditure funded from capital under statute	(20,806)					(20,806)	20,806	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(54,033)	684	(5,957)			(59,306)	59,306	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
<b>Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	11,645					11,645	(11,645)	0
Capital expenditure charged against the General Fund and HRA balances	1,046	1,469				2,515	(2,515)	0
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	72,868				(72,868)	0		0
Application of grants to capital financing transferred to the Capital Adjustment Account					49,628	49,628	(49,628)	0
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement								
Use of the Capital Receipts Reserve to finance new capital expenditure			8,494			8,494	(8,494)	0
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals								
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(774)		774					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash								
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>								
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income and Expenditure Statement	170		(295)			(125)	125	0
<b>Adjustment primarily involving the Major Repairs Reserve</b>								
Reversal of Major Repairs Allowance credited to the HRA		3,505		4,939		8,444	(8,444)	0
Use of the Major Repairs Reserve to finance new capital expenditure				(5,450)		(5,450)	5,450	0
<b>Adjustment primarily involving the Financial Instruments Adjustments Account:</b>								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2,329					2,329	(2,329)	0
<b>Adjustments primarily involving the Pensions Reserve</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	53,747					53,747	(53,747)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	30,485	1,208				31,693	(31,693)	0
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	583					583	(583)	0
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0					0		0
<b>Adjustment primarily involving the Accumulated Absences Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5,673	2				5,675	(5,675)	0
<b>Total Adjustments</b>	<b>(61,264)</b>	<b>(14,578)</b>	<b>3,016</b>	<b>(511)</b>	<b>(23,240)</b>	<b>(96,577)</b>	<b>96,577</b>	<b>0</b>

**Note 8 Transfers to/ from Earmarked reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/2011.

Reserve	2008/2009 Wiltshire Council £000	Movement in 2009/2010 £000	2009/2010 Wiltshire Council £000	Movement in 2010/2011 £000	2010/2011 Wiltshire Council £000
Capital Revenue Reserve	(6,163)	4,663	(1,500)	1,500	0
PFI Reserve	(4,251)	0	(4,251)	1,100	(3,151)
Insurance Reserve	(6,019)	0	(6,019)	1,569	(4,450)
Locally Managed Schools' Balances - to be spent on educational services	(19,605)	2,180	(17,425)	1,444	(15,981)
Closed Schools Balances	(68)	0	(68)	0	(68)
Office Work Place Transformation Reserve	(339)	111	(228)	0	(228)
Sickness Insurance Scheme	(1,897)	787	(1,110)	1,110	0
Free School Meals Reserve	(59)	0	(59)	59	0
Libraries Operating Reserves	(147)	96	(51)	0	(51)
Housing Preferred Development Partners	(42)	0	(42)	0	(42)
Redundancy Reserve	(628)	628	0	0	0
Treasury Reserve	(298)	298	0	0	0
Department of Resources	(750)	750	0	0	0
Environmental Services Department	(1,245)	1,245	0	0	0
Delayed Transfer of Care	(400)	400	0	0	0
VAT Income Reserve	(241)	241	0	0	0
One council for Wiltshire reserve	(7,186)	7,186	0	0	0
General Earmarked Reserves ex-Kennet	(3,220)	3,220	0	0	0
General Earmarked Reserves ex-North Wiltshire	(3,551)	3,551	0	0	0
General Earmarked Reserves ex-Salisbury	(321)	321	0	0	0
Housing PFI (ex-West Wiltshire)	(106)	106	0	0	0
Criminal Records Bureau system Reserve	0	0	0	(49)	(49)
Elections Reserve	0	0	0	(200)	(200)
Street Lighting Reserve	0	0	0	(100)	(100)
Area Board Reserve	0	0	0	(1,200)	(1,200)
Revenue Grants Earmarked Reserve	(3,561)	(7,128)	(10,689)	1,650	(9,039)
<b>Total</b>	<b>(60,097)</b>	<b>18,655</b>	<b>(41,442)</b>	<b>6,883</b>	<b>(34,559)</b>

**Note 9 Other Operating Expenditure**

	2010/2011 £000	2009/2010 £000
Parish council precepts	12,360	11,879
Levies	0	0
Payments to the Government Housing Capital Receipts Pool	774	683
Gains/losses on the disposal of non-current assets	53,350	4,894
<b>Total</b>	<b>66,484</b>	<b>17,456</b>

**Note 10 Financing and Investment Income and Expenditure**

	2010/2011 £000	2009/2010 £000
Interest payable and similar charges	9,352	9,116
Impairment of Investments	(331)	(600)
Interest and investment income	(2,408)	(1,376)
Pension Interest Costs and expected return on pension assets	18,230	22,378
<b>Total</b>	<b>24,843</b>	<b>29,518</b>

**Note 11 Taxation and Non Specific Grant Income**

The Council received the following General Government Grants in 2009/2010.

	2010/2011 £000	2009/2010 £000
General Government Grants	(24,740)	(38,865)
Non-Domestic Rate Pool Redistribution	(102,442)	(81,879)
Council Tax Income	(231,508)	(223,892)
Capital grants and contributions	(72,866)	(55,758)
<b>Total</b>	<b>(431,556)</b>	<b>(400,394)</b>

**Note 12 Property, Plant and Equipment**

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra- structure £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, and Plant & Equipment £000	PFI included in PPE £000
<b>Cost or Valuation</b>									
Opening Balance 31 March 2009	296,557	600,748	35,272	227,304	5,567	17,659	142	1,183,249	54,564
Additions	4,459	16,871	4,651	8,289	0	55,218	0	89,488	
Disposals	(206)	(7,229)	(131)	0	(10)	0	(66)	(7,642)	
Revaluations	0	13,928	0	0	0	0	0	13,928	
Category Adjustments	0	603	0	0	0	(603)	0	0	
<b>At 31 March 2010</b>	<b>300,810</b>	<b>624,921</b>	<b>39,792</b>	<b>235,593</b>	<b>5,557</b>	<b>72,274</b>	<b>76</b>	<b>1,279,023</b>	<b>54,564</b>
<b>Depreciation and Impairments</b>									
Opening Balance 31 March 2009	(46,734)	(23,243)	(14,779)	(28,967)	(99)	0	0	(113,822)	
Depreciation/Amortisation	(8,513)	(18,099)	(7,505)	(4,293)	0	0	0	(38,410)	(1,508)
Impairments	32	(39,041)	(12)	0	0	0	0	(39,021)	
Disposals	0	0	0	0	0	0	0	0	
Category Adjustments	0	0	0	0	0	0	0	0	
<b>At 31 March 2010</b>	<b>(55,215)</b>	<b>(80,383)</b>	<b>(22,296)</b>	<b>(33,260)</b>	<b>(99)</b>	<b>0</b>	<b>0</b>	<b>(191,253)</b>	<b>(1,508)</b>
<b>Net Book Value at 31 March 2010</b>	<b>245,595</b>	<b>544,538</b>	<b>17,496</b>	<b>202,333</b>	<b>5,458</b>	<b>72,274</b>	<b>76</b>	<b>1,087,770</b>	<b>53,056</b>
<b>Net Book Value at 31 March 2009</b>	<b>249,823</b>	<b>577,505</b>	<b>20,493</b>	<b>198,337</b>	<b>5,468</b>	<b>17,659</b>	<b>142</b>	<b>1,069,427</b>	<b>54,564</b>

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment	PFI included in PPE
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
Opening Balance 31 March 2010	300,810	624,921	39,792	235,593	5,557	72,274	76	1,279,023	54,564
Additions	3,521	20,811	12,064	15,207	166	40,016	0	91,785	
Other Acquisitions	0	0	45	0	0	0	0	45	
Derecognition - Disposals	(3,579)	(10,651)	0	0	0	0	0	(14,230)	
Derecognition - Other	0	(42,296)	0	0	0	(2,770)	0	(45,066)	
Revaluation increases recognised in the Revaluation Reserve	0	78,718	7,270	0	4,544	0	1,150	91,682	
Revaluation decreases recognised in the Revaluation Reserve	0	(44,898)	0	0	0	0	(22)	(44,920)	
Category Adjustments	(65,230)	21,443	87,498	10,077	(3,181)	(53,496)	2,708	(181)	
<b>At 31 March 2011</b>	<b>235,522</b>	<b>648,048</b>	<b>146,669</b>	<b>260,877</b>	<b>7,086</b>	<b>56,024</b>	<b>3,912</b>	<b>1,358,138</b>	<b>54,564</b>
<b>Depreciation and Impairments</b>									
Opening Balance 31 March 2010	(55,215)	(80,383)	(22,296)	(33,260)	(99)	0	0	(191,253)	(1,508)
Depreciation	(8,399)	(4,688)	(6,335)	(4,420)	0	0	0	(23,842)	(1,420)
Depreciation written out to the revaluation reserve									
Depreciation written out to the surplus/ deficit on the provision of services									
Impairment losses recognised in the surplus/deficit on provision of services	(13,002)	(135,872)	0	(175)	(641)	0	(4)	(149,694)	
Derecognition - Disposals								0	
Derecognition - Other								0	
Category Adjustments								0	
<b>At 31 March 2011</b>	<b>(76,616)</b>	<b>(220,943)</b>	<b>(28,631)</b>	<b>(37,855)</b>	<b>(740)</b>	<b>0</b>	<b>(4)</b>	<b>(364,789)</b>	<b>(2,928)</b>
<b>Net Book Value at 31 March 2011</b>	<b>158,906</b>	<b>427,105</b>	<b>118,038</b>	<b>223,022</b>	<b>6,346</b>	<b>56,024</b>	<b>3,908</b>	<b>993,349</b>	<b>51,636</b>
<b>Net Book Value at 31 March 2010</b>	<b>245,595</b>	<b>544,538</b>	<b>17,496</b>	<b>202,333</b>	<b>5,458</b>	<b>72,274</b>	<b>76</b>	<b>1,087,770</b>	<b>53,056</b>

### Fixed Asset Valuation

Assets classified as Land & Buildings, excluding County Farms, are revalued as part of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by an external valuer, GVA Grimley, Chartered Surveyors.

All County Farms are revalued every 4 years by an external valuer. In 2008/09 Smiths Gore, Chartered Surveyors carried out this revaluation.

The basis for valuation is set out in the statement of accounting policies.

The revaluation for 2010/2011 comprises the vast majority of all the council's Property assets (excluding the Farms valuation). Further work will be undertaken in 2011/2012 to ensure any assets not revalued during 2010/11 are also covered. All assets have been revalued within the 5 year rolling programme as dictated in the code of practice. The authority is not aware of any material change in the value of the remaining assets that were not revalued in 2010/11.

The following table shows the split of the certified valuations for Property plant and equipment across the financial years;

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	0	8,176	14,744	223,022	6,346	56,024		308,312
Valued at current value in:								
2010/2011	154,749	334,741	103,294				3,908	596,692
2009/2010		60,127						60,127
2008/2009	4,157	9,319						13,476
2007/2008								0
2006/2007		14,742						14,742
Book Value at 31 March 2011	158,906	427,105	118,038	223,022	6,346	56,024	3,908	993,349

### Information about Depreciation Methodologies

All depreciation applied is on a straight line basis using the following useful lives, unless the asset life is reviewed;

- Council Dwellings. These are depreciated over a useful life of 30 years;
- Other Land and Buildings, Garages and Buildings are depreciated over a useful life of 50 years. Land is not depreciated;
- Vehicles, Plant etc. These are depreciated over 5 years;
- Community Assets, Assets under Construction and Non Operational Assets. These are not depreciated.
- Infrastructure. These are depreciated over a useful life of 60 years.

The total depreciation charged to tangible Property Plant and equipment fixed assets for 2010/2011 is £23,842,756.

### Schools Assets

In line with the new IFRS and the previous SORP guidance, the authority has reviewed the treatment of schools assets in the statement of accounts. The authority now only recognised Community School assets in the Balance Sheet. All property assets in relation to Foundation, Voluntary Controlled and Voluntary Aided schools have been removed from the balance sheet, shown as a derecognition in the note for Fixed assets.

### Components

The authority complies with the new IFRS requirement to componentise its Property assets. Components have been applied to material items in PPE in accordance with the new IFRS Code of practice.

### Note 13 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2010/2011 £000	2009/2010 £000
Rental income from investment property	(2,137)	(2,302)
Direct operating expenses arising from investment properties	425	590
Net Gain/ Loss	<u>(1,712)</u>	<u>(1,712)</u>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/2011 £000	2009/2010 £000
Balance at start of the year	41,891	44,699
Additions:		
Purchases		
Construction		
Subsequent expenditure	232	19
Disposals	(10)	(3,012)
Gains from fair value adjustments	8,536	185
Losses from fair value adjustments	(18,138)	0
Transfers:		
to/from Inventories		
to/from Property, Plant and Equipment	181	0
Other changes		
Balance at end of the year	<u>32,692</u>	<u>41,891</u>

#### Note 14 Intangible Fixed assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Carrying amount		Remaining Amortisation Period
	31 March 2011 £000	31 March 2010 £000	
SAP Finance/HR/Payroll system	6,947	8656	2 years
Workplace transformation IT software	1,298	0	5 years
Other items of software	348	661	1 - 3 years
Total	<u>8,593</u>	<u>9,317</u>	

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.505m charged to revenue in 2010/2011 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

All amortisation applied to Intangible assets is on a straight line basis over 5 years.

	2010/2011 Purchased Software Licences £000	2009/2010 Purchased Software Licences £000
Gross carrying amounts	13,351	12,186
Accumulated amortisation	(4,034)	(795)
Net Carrying amount	<u>9,317</u>	<u>11,391</u>
Net carrying amount at start of year		
Additions:		
Internal development		
Purchases	1,781	1,165
Amortisation for the period	(2,505)	(3,239)
Other changes		
Net carrying amount at end of year	<u>8,593</u>	<u>9,317</u>
Comprising:		
Gross carrying amounts	15,132	13,351
Accumulated amortisation	(6,539)	(4,034)
	<u>8,593</u>	<u>9,317</u>

### Note 15 Cash Overdrawn

The Council main bank accounts show a cash overdrawn position of £6.116 million at 31 March 2011 (31 March 2010: Wiltshire Council £11.571 million). This is largely due to is due to unrepresented cheques and BACS payments and uncleared cheques deposited on 31 March 2011 as well as other timing differences.

### Note 16 Exceptional items – Termination Benefits

#### Exceptional Items

The Council has incurred exceptional expenditure of £8.309m in 2010/2011. This is in respect of the costs of management restructuring to make future year savings which were required following the announcement by Central Government that Councils across the country will in future receive significantly less Central Government funding.

### Note 17 Construction Contracts

Description	2010/2011 £000	2009/2010 £000
Melksham Oak School	819	1,334
Other School construction projects	4,472	2,942
Wellington Academy	3,136	23,847
Highways	9,000	10,667
Workplace Transformation Programme	0	5,909
<b>Total</b>	<u>17,427</u>	<u>44,699</u>

In addition to the above signed contracts, budget has been approved but contracts have not, as at 31 March 2011, been let to refurbish County Hall Trowbridge as part of the Campus and operational delivery projects (formerly the workplace transformation project). This will incur costs of circa £22m over the next 2 years.

The council has also committed to building Sarum Academy School subject to grant applications but contracts have not been let. This will incur costs of circa £15m over the next 2 years. As part of the waste transformation the council has committed itself to project costs of around £8m for which contracts have not been let.

**Note 18 Debtors**

These represent sums owed to the Council for supplies and services provided before 31 March 2011 but not received at that date.

	2010/2011 Wiltshire Council £000	2009/2010 Wiltshire Council £000
Other Local Authorities	2,222	2,706
Government Departments	11,229	26,511
NHS Bodies	2,957	5,160
Business Rates and Local Taxation	9,315	8,462
Tenants	887	910
Sundry Debtors	25,819	15,511
Payments in Advance	11,157	8,714
<b>Total Debtors</b>	<b>63,586</b>	<b>67,974</b>
Less: provision for bad debts		
General Fund debtors	(4,372)	(2,384)
Housing Rent arrears	(663)	(732)
Council Tax arrears	(2,086)	(1,844)
NNDR arrears	0	0
<b>Total Bad Debt provisions</b>	<b>(7,121)</b>	<b>(4,960)</b>
<b>Net Debtors</b>	<b>56,465</b>	<b>63,014</b>

**Note 19 Cash and Cash Equivalent**

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

	2010/2011 Wiltshire Council £000	2009/2010 Wiltshire Council £000
Cash & Bank	179	280
PFI Sinking Fund	1,499	1,404
Schools' bank accounts	25,665	24,276
HSBC Overnight Account	400	0
	<b>27,743</b>	<b>25,960</b>

**Note 20 Assets held for Sale**

The Council had no assets held for sale as at 31 March 2011. Although Wiltshire council has an ambitious target for realising capital receipts over the next 5 years, none of its assets can be classified as Assets held for Sale. The definition of an asset held for sale is one that is readily available for sale, the planned sale will occur within 12 months and that the property is being actively marketed. Most assets sales for Wiltshire council are anticipated to be realised during 2012/13 or later in the programme. The council does recognise Surplus assets within Property Plant & Equipment and the adjustments shown in note 12 detail the movements on these assets.

**Note 21 Creditors**

These represent sums owed by the Council for supplies and services received before 31 March 2011 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2010/2011	2009/2010
	Wiltshire	Wiltshire
	Council	Council
	£000	£000
Other Local Authorities	(2,278)	(2,258)
Government Departments	(8,372)	(8,193)
NHS Bodies	(1,760)	(1,312)
Sundry Creditors	(61,648)	(54,865)
Receipts in Advance	(13,009)	(10,189)
Accumulated Absences	(17,062)	(22,737)
	<u>(104,129)</u>	<u>(99,554)</u>

**Note 22 Provisions**

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. These should be recognised where the council has a present obligation as a result of a past event, that it is probable (i.e. the event is more likely than not to occur) a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made. If these conditions are not met no provision should be recognised. Amounts set aside for purposes falling outside the definition of provisions should be considered as earmarked reserves.

All provisions were disclosed as Long Term Liabilities in the 2009/2010 Statement of Accounts. Following a review of all provisions it is felt more accurate to disclose these as Current Liabilities as they are all expected to be used/settled within 12 months of the balance sheet date.

	Legal Costs	Insurance Claims	Pay Reform	Termination Benefits	Calne Distributor Road Compensation	Other	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2010</b>	(100)	(200)	(1,079)	0	(650)	(1,270)	(3,299)
Additional provisions made in 2010/2011	(1,255)	(231)	(1,508)	(1,355)		(101)	(4,450)
Amounts Used in 2010/2011		102	289		57	72	520
Unused amounts reversed in 2010/2011		96	729		593	291	1,709
Unwinding of discounting in 2010/2011							0
<b>Balance at 31 March 2011</b>	<u>(1,355)</u>	<u>(233)</u>	<u>(1,569)</u>	<u>(1,355)</u>	<u>0</u>	<u>(1,008)</u>	<u>(5,520)</u>

**Legal Costs**

The Council has made provisions in respect of legal costs which may become payable by the Council depending on the outcome of a small number of individual cases totalling £1.355m. In order not to prejudice seriously the Council's position in these cases any further information has been withheld from this publication. It is currently expected that all of these claims will be settled during the 2011/2012 financial year.

**Insurance Claims**

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 2010/2011 is made up of 10 claims totalling £0.233 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 £10,000 is used.

The 10 claims consisted of a mixture of Public and Employers Liability claims, own Property claims, and a Motor claim.

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 examples of these include computer breakdown and loss of computer data, and employment practices. It is currently expected that the all of these claims will be settled during 2011/2012.

### Pay Reform

A provision of £1.569m has been made by the Council to provide against potential claims by Council employees for arrears of pay under equal pay legislation. It is currently expected that the whole amount will be used in 2011/2012.

### Termination Benefits

The Council is required to make a provision where it has demonstrably committed to:

- Terminate the employment of an employee or group of employees before the normal retirement date
- Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy

As at 31 March 2011 the Council was demonstrably committed to terminating the employment of 84 employees at an estimated cost of £1.355m. It is expected that all cases will be resolved during the first half of the 2011/2012 financial year.

### Other Provisions

All other provisions are individually insignificant and are expected to be used during 2011/2012.

### Note 23 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7.

### Note 24 Unusable Reserves

Reserve	Note	2010/2011 Wiltshire Council £000	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire Council £000
Revaluation Reserve	24a	(132,747)	(98,431)	(87,819)
Capital Adjustment Account	24b	(571,974)	(750,007)	(757,878)
Financial Instruments Adjustment Account		819	3,148	3,610
Deferred capital receipts		(1,626)	(1,752)	(1,900)
Pensions Reserve	24c	311,423	564,942	290,049
Collection Fund Adjustment Account		(1,239)	(657)	(773)
Accumulated Absences Account		17,062	22,737	20,799
<b>Total Unusable Reserves</b>		<b>(378,282)</b>	<b>(260,020)</b>	<b>(533,912)</b>

**Note 24a Revaluation Reserve**

The balance of this account is the difference between the valued cost of fixed assets at 31 March 2007 and their latest valuation since this date. The reserve is constantly updated for disposals and new valuations.

This reserve records revaluation movements in 09/10 as certified by Bruton Knowles, Chartered Surveyors and Smiths Gore, Chartered Surveyors. It also reflects the previous valuations of assets in the former District Councils

	2010/2011 Wiltshire Council		2009/2010 Wiltshire Council
	£000	£000	£000
<b>Balance at 1 April</b>		(98,431)	(93,277)
Prior year adjustments		0	5,458
<b>Revised balance at 1 April</b>		(98,431)	(87,819)
Upward revaluation of assets	(91,681)		(14,256)
Downward revaluations not charged to surplus/ deficit on the provision of services	44,921		143
<b>Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services</b>		(46,760)	(101,932)
Difference between fair value depreciation and historic cost depreciation	4,902		2,284
Accumulated gains on assets sold or scrapped	7,542		1,217
Amount written off to the Capital Adjustment Account		12,444	(98,431)
<b>Balance at 31 March</b>		(132,747)	(98,431)

**Note 24b Capital Adjustment Account**

In accordance with the CIPFA Code of Practice the closing balance on the fixed asset restatement account and capital financing account has been transferred to the capital adjustment account.

	2010/2011 Wiltshire Council		2009/2010 Wiltshire Council
	£000	£000	£000
<b>Balance at 1 April</b>		(750,007)	(663,530)
Prior year adjustments			(94,348)
<b>Revised balance at 1 April</b>		(750,007)	(757,878)
<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account</b>			
- charges for depreciation of non-current assets	23,842		41,649
- charges for impairment of plant, property and equipment	149,694		39,021
- charges for impairment of investment properties	18,138		
- gains in fair value on Investment properties	(8,536)		(185)
- amortisation of intangible assets	2,505		
- revenue expenditure funded from capital under statute	20,806		16,652
- disposals	59,305		10,841
		265,754	(649,900)
<b>Adjusting amounts written out of Revaluation Reserve</b>		(12,444)	(3,501)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		(496,697)	(653,401)
<b>Capital financing applied in the year</b>			
-Use of capital receipts reserve to finance new capital expenditure	(8,494)		(23,217)
-Use of major repairs reserve to finance new capital expenditure	(2,995)		(4,432)
-capital grants and contributions credited to the comprehensive income and expenditure statement applied to capital financing	(49,628)		(53,206)
-application of grants to capital financing from capital grants unapplied account			
-statutory provision for the financing of capital investment charged against the general fund and HRA balances	(11,645)		(11,004)
-capital expenditure charged against the general fund and HRA balances	(2,515)		(4,747)
		(75,277)	(750,007)
Movements in the market value of Investment properties charged to the Comprehensive Income and Expenditure Account		0	0
<b>Balance at 31 March</b>		(571,974)	(750,007)



**Note 27 Cash Flow Financing Activities**

	2010/2011 £000	2009/2010 £000
Cash Receipts of short and long term borrowing	(40,287)	(19,214)
Repayments of short and long term borrowing	0	4,090
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>(40,287)</b>	<b>(15,124)</b>

**Note 28 Amounts reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice.

However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year; and
- expenditure on some support services is budgeted for centrally and not charged to directorate

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows.

2010/2011	Children and Education £000	Community Services £000	Neighbourhood and Planning £000	Public Health and Wellbeing £000	Resources £000	Corporate £000	HRA £000	Total £000
Fees, charges & other service income	(49,106)	(28,083)	(28,238)	(1,284)	(143,446)	(4,227)	(18,636)	(254,384)
Government grants	(349,955)	(3,616)	(8,317)	(260)	(7,270)	(800)	(29)	(370,218)
<b>Total Income</b>	<b>(399,061)</b>	<b>(31,699)</b>	<b>(36,555)</b>	<b>(1,544)</b>	<b>(150,716)</b>	<b>(5,027)</b>	<b>(18,665)</b>	<b>(624,602)</b>
Employee expenses	277,974	29,564	36,637	5,019	44,193	8,313	2,352	401,700
Other service expenses	168,887	122,807	82,308	3,477	173,056	17,955	16,313	568,490
<b>Total Expenditure</b>	<b>446,861</b>	<b>152,371</b>	<b>118,945</b>	<b>8,496</b>	<b>217,249</b>	<b>26,268</b>	<b>18,665</b>	<b>970,190</b>
<b>Net Expenditure</b>	<b>47,800</b>	<b>120,672</b>	<b>82,390</b>	<b>6,952</b>	<b>66,533</b>	<b>21,241</b>	<b>0</b>	<b>345,588</b>

2009/2010	Children and Education £000	Community Services £000	Neighbourhood and Planning £000	Public Health and Wellbeing £000	Resources £000	Corporate £000	HRA £000	Total £000
Fees, charges & other service income	(335,300)	(25,950)	(36,974)	(1,185)	(138,094)	(2,299)	0	(539,802)
Government grants	(59,052)	(11,387)	(2,234)	(140)	(4,238)	0	0	(77,051)
<b>Total Income</b>	<b>(394,352)</b>	<b>(37,337)</b>	<b>(39,208)</b>	<b>(1,325)</b>	<b>(142,332)</b>	<b>(2,299)</b>	<b>0</b>	<b>(616,853)</b>
Employee expenses	281,429	31,469	37,870	5,134	49,676	0	0	405,578
Other service expenses	170,205	122,560	89,765	1,613	157,662	1,912	0	543,717
<b>Total Expenditure</b>	<b>451,634</b>	<b>154,029</b>	<b>127,635</b>	<b>6,747</b>	<b>207,338</b>	<b>1,912</b>	<b>0</b>	<b>949,295</b>
<b>Net Expenditure</b>	<b>57,282</b>	<b>116,692</b>	<b>88,427</b>	<b>5,422</b>	<b>65,006</b>	<b>(387)</b>	<b>0</b>	<b>332,442</b>

## Reconciliation of Department Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2010/2011</b>
	<b>£000</b>
Net expenditure in the Department Analysis	<b>345,588</b>
Net expenditure of services and support services not included in the analysis	<b>0</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	<b>95,208</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	<b>(18,588)</b>
	<b>0</b>
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>422,208</b>

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Department Analysis	Services and Support Services not in Analysis	Amounts not reported reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
Fees, charges & other service income	(273,020)	0	0	0	(6,619)	(279,639)	0	(279,639)
Interest and investment income	0	0	0	1,951	0	1,951	(2,738)	(787)
Income from council tax	0	0	0	0	0	0	(231,507)	(231,507)
Government grants and contributions	(370,247)	(8,777)	0	(16,087)	(947)	(396,058)	(200,048)	(596,106)
<b>Total Income</b>	<b>(643,267)</b>	<b>(8,777)</b>	<b>0</b>	<b>(14,136)</b>	<b>(7,566)</b>	<b>(673,746)</b>	<b>(434,293)</b>	<b>(1,108,039)</b>
Employee expenses	404,053	0	(88,538)	0	17,692	333,207	18,230	351,437
Other service expenses	584,802	8,777	(1,046)	6,932	62,895	662,360	9,351	671,711
Support Service recharges	0	0	0	0	(73,021)	(73,021)	0	(73,021)
Depreciation, amortisation and impairment	0	0	184,792	0	0	184,792	0	184,792
Interest Payments	0	0	0	(2,074)	0	(2,074)	0	(2,074)
Precepts & Levies	0	0	0	(9,310)	0	(9,310)	0	(9,310)
Payments to Housing Capital	0	0	0	0	0	0	12,360	12,360
Receipts Pool	0	0	0	0	0	0	774	774
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	53,349	53,349
<b>Total expenditure</b>	<b>988,855</b>	<b>8,777</b>	<b>95,208</b>	<b>(4,452)</b>	<b>7,566</b>	<b>1,095,954</b>	<b>94,064</b>	<b>1,190,018</b>
<b>Surplus or deficit on the provision of services</b>	<b>345,588</b>	<b>0</b>	<b>95,208</b>	<b>(18,588)</b>	<b>0</b>	<b>422,208</b>	<b>(340,229)</b>	<b>81,979</b>

## Note 29 Acquired and Discontinued Operations

There are no acquired or discontinued operations in this year.

## Note 30 Significant trading services

The Council ran no significant trading services during the year.

## Note 31 Agency income & expenditure

Under section 101(I) of the Local Government Act 1972, (LGA 1972), a local authority may arrange for any other local authority to act as its agent and provide services. Wiltshire Council works in close partnership with many different local authorities but has no material amounts of agency income or expenditure.

**Note 32 Transport Act 2000**

Income and expenditure is split between on-street and off-street sources. The off-street forms part of the General Fund whereas on-street income is required statutorily to be ring-fenced and used solely for transportation expenditure. This note shows the amount received and expended on the on-street account during 2010/2011.

	2010/2011 £000	2009/2010 £000
<b>On Street Parking</b>		
Expenditure During the Year	1,245	1,398
Income During the Year	(1,237)	(1,492)
Movement in Year	<u>8</u>	<u>(94)</u>

**Note 33 Pooled Budgets**

**Partnerships Schemes under S31 Health Act**

**Joint Procurement Arrangement**

An agreement between Primary Care Trusts and Wiltshire County Council established a joint arrangement in 2004/05 in relation to aids and adaptations. The objectives of this joint arrangement are to provide savings associated with having a joint procurement arrangement with a major equipment provider and the resultant efficiencies and economies of scale for Health and Social Services (Department of Children & Education and Department of Community Services) in the use of aids and adaptations.

Although this is a joint arrangement it is not a pooled budget with each party (Wiltshire PCT, DCS and DCE) being financially responsible for the funding of equipment costs associated with their client group.

The PCTs merged on 1 October 2006 and a new S31 agreement exists, replacing the three separate S31 agreements, these are varied on an annual basis to reflect any changes within the arrangements. The budget is administered by Wiltshire Council (previously Wiltshire County Council) on behalf of the Wiltshire PCT.

Wiltshire Council expended £0.944 million in 2010/2011 (split between DCS £0.784 million and DCE £0.160 million), with Wiltshire PCT expenditure of £1.632 million, towards a total joint arrangement spend of £2.576 million.

**Intermediate Care**

In 2006/07 an Intermediate Care S31 Agreement was put in place from 1<sup>st</sup> April 2006 with regards to Community Support Workers with the Primary Care Trust. This is not based upon a monetary contribution, but a number of staff to work with health in a joint arrangement capacity. In 2010/2011 the value of this provision was £0.738 million, an increase from £0.665 million in 2009/2010. This difference is due to posts held vacant during 2009/2010 being filled in 2010/2011.

**Care in the Community**

In previous financial years, a Care in the Community Joint Funded Placements with the Primary Care Trust (PCT) agreement existed for Learning Disability clients – the value of this agreement in 2008/2009 was £8.051m.

For the 2009/2010 financial year, this arrangement was superseded by the “Transfer of the Responsibility for the Commissioning of Social Care for Adults with a Learning Disability from the NHS to Local Government” under Valuing People Now proposals. A transitional arrangement exists for the first two years and in 2011/2012 this transitional arrangement saw £8m transferred from the NHS to Wiltshire Council.

**Note 34 Members' Allowances**

The Authority paid the following amounts to members of the council during the year.

	2010/2011 £000	2009/2010 £000
Allowances	1,581	1,363
Expenses	111	96
<b>Total</b>	<b>1,692</b>	<b>1,459</b>

**Note 35 Officers' Remuneration**

The Council is required to disclose the number of staff who received taxable remuneration from Wiltshire Council in excess of £50,000 for the year.

Remuneration Band £	2010/2011		2009/2010	
	No. Employees	No. Redundancies	No. Employees	No. Redundancies
50,000-54,999	165	15	142	8
55,000-59,999	116	19	87	6
60,000-64,999	60	15	39	4
65,000-69,999	35	17	18	2
70,000-74,999	34	19	17	2
75,000-79,999	19	6	17	4
80,000-84,999	11	5	14	4
85,000-89,999	8	2	15	4
90,000-94,999	13	5	4	3
95,000-99,999	4	2	3	2
100,000-104,999	2	2	5	2
105,000-109,999	4	3	1	1
110,000-114,999	0	0	1	0
115,000-119,999	1	1	2	1
120,000-124,999	6	5	0	0
125,000-129,999	3	2	2	0
130,000-134,999	4	1	1	0
135,000-139,999	0	0	1	1
140,000-144,999	0	0	0	0
145,000-149,999	0	0	0	0
150,000-154,999	0	0	1	1
155,000-159,999	0	0	0	0
160,000-164,999	0	0	0	0
165,000-169,999	0	0	0	0
170,000-174,999	0	0	0	0
175,000-179,999	0	0	0	0
180,000-184,999	0	0	0	0
185,000-189,999	0	0	0	0
190,000-194,999	0	0	0	0
195,999-199,999	1	0	0	0
200,000-204,999	0	0	1	1
<b>Other bands:</b>				
250,000-254,999	0	0	0	0
460,000-464,999	0	0	1	1
<b>TOTAL</b>	<b>486</b>	<b>119</b>	<b>372</b>	<b>47</b>

**Notes:**

Officers' remuneration includes compensation for loss of office (redundancy).

The Council terminated the employment of 222 employees in 2010/2011 who became entitled to termination payments.

The salary scale point of 97 of these 222 employees was below £50,000 but their termination payments bring them into the reporting range for 2010/2011.

The salary scale point of a further 21 of these 222 employees exceeded the £50,000 threshold.

The total of 118 employees made redundant whose total remuneration exceeded £50,000 are included in the 2010/2011 Number of Employees column.

**2010/2011 Remuneration for Senior Employees - Salary is £150,000 or more per year**

(Included in Officer's Remuneration Bandings)

Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2010/2011 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2010/2011 £
Chief Executive A Kerr	183,000	0	15,380	0	0	198,380	27,450	225,830
	183,000	0	15,380	0	0	198,380	27,450	225,830

**2009/2010 Remuneration for Senior Employees - Salary is £150,000 or more per year**

(Included in Officer's Remuneration Bandings)

Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2009/2010 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2009/2010 £
Chief Executive (subnote A) K Robinson	138,758	0	2,612	322,648	0	464,018	20,814	484,832
Chief Executive (subnote A) A Kerr	25,598	0	583	0	0	26,181	3,840	30,021
	164,356	0	3,195	322,648	0	490,199	24,654	514,853

**Subnote A:**

K Robinson left Wiltshire Council on 9 February 2010. The 2009/2010 annualised salary was £161,324.

A Kerr replaced K Robinson on 10 February 2010 at an annualised salary of £183,000.

**2010/2011 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year**

(Included in Officer's Remuneration Bandings)

Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2010/2011 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2010/2011 £
Director Community Services	130,556	0	86	0	0	130,642	19,583	150,225
Director of Resources	130,556	0	1,391	0	0	131,947	19,583	151,530
Director Children and Education	130,556	0	0	0	0	130,556	19,583	150,139
Director Neighbourhood and Planning	122,477	0	0	0	0	122,477	18,272	140,749
Chief Finance Officer (subnote B)	28,410	0	0	0	0	28,410	4,261	32,671
Director Legal Services and Democratic Representation	85,224	0	464	0	0	85,688	12,784	98,472
	627,779	0	1,941	0	0	629,720	94,066	723,786

**Subnote B:**

The Chief Finance Officer left Wiltshire Council on 1 August 2010. The annualised salary was £85,224. Further disclosures are restricted by a confidentiality clause.

An Interim Chief Finance Officer was appointed in October 2010 through an agency arrangement and is therefore not an employee of the Council.

**2009/2010 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year**

(Included in Officer's Remuneration Bandings)

Post Holder	Salary (including fees and allowances) £	Bonuses £	Expense Allowances £	Compensation for loss of Office £	Benefits in Kind £	Total Remuneration excluding pension contributions 2009/2010 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2009/2010 £
Director Community Services	130,556	0	270	0	0	130,826	19,584	150,410
Director of Resources	126,512	0	1,005	0	0	127,517	18,977	146,494
Director Children and Education	126,512	0	480	0	0	126,992	18,977	145,969
Director of Transport, Environment & Leisure (subnote C)	126,512	0	8,147	66,905	0	201,564	356,732	558,296
Director Economic Development Planning Housing	118,433	0	61	0	0	118,494	17,765	136,259
Chief Finance Officer (Wiltshire CC) (subnote D)	40,290	0	668	47,168	0	88,126	245,027	333,153
Chief Finance Officer (Wiltshire Council)	82,403	0	0	0	0	82,403	12,360	94,763
Director Legal Services and Democratic Representation	82,403	0	0	0	0	82,403	12,360	94,763
Solicitor to Wiltshire County Council (subnote E)	37,852	0	218	44,547	0	82,617	308,121	390,738
	871,473	0	10,849	158,620	0	1,040,942	1,009,903	2,050,845

**Subnote C:**

The Director of Transport, Environment & Leisure left Wiltshire Council on 31 March 2010.

**Subnote D:**

The Chief Finance Officer (Wiltshire County Council) left Wiltshire Council on 31 August 2009. The annualised salary was £90,842.

**Subnote E:**

The Solicitor to Wiltshire County Council left Wiltshire Council on 31 August 2009. The annualised salary was £90,842. The post was replaced by The Director of Legal Services & Democratic Representation from 1 April 2009.

**Note 36 External Audit Fees**

Wiltshire Council incurred the following fees in respect of external audit and statutory inspection, in accordance with the Audit Commission Act 1998

	2010/2011 £000	2009/2010 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	411	436
Fees payable to the Audit Commission in respect of statutory inspection	0	0
Fees payable to the Audit Commission for certification of grant claims and returns	80	80
Fees payable to the Audit Commission for other services	0	0
Total	<b>491</b>	<b>516</b>

**Note 37 Dedicated Schools Grant**

**Reserves & balances held by schools**

**Dedicated Schools Grant**

Spending on schools is mainly funded by grant monies provided by the Department for Children, Schools and Families (DCSF) 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 2010/2011 are as follows

	Central Expenditure 2010/2011 £000	Individual Schools Budget 2010/2011 £000	Total 2010/2011 £000	Total 2009/2010 £000
Final DSG for 2010/2011	36,567	213,155	249,722	243,179
Brought forward from 2009/2010 (overspend)	(315)	(4,014)	(4,329)	(193)
Budget adjustment bought forward from 2009/2010	0	0	0	55
Carry forward to 2010/2011 agreed in advance	96	0	96	0
Agreed budget distribution (less net overspend from 2009/2010 to be recovered)	36,348	209,141	245,489	243,041
Actual Central expenditure	33,375	0	33,375	33,019
Actual ISB deployed to schools	0	209,141	209,141	209,926
Local authority contribution from 2010/2011	0	0	0	0
Carried forward to 2011/2012 (underspend)	(2,973)	0	(2,973)	(96)

**Note 38 Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/2011:

	2010/2011 £000	2009/2010 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
General Government Grants	(24,740)	(38,865)
Non-Domestic Rate Pool Redistribution	(102,442)	(81,879)
<b>Total</b>	<b>(127,182)</b>	<b>(120,744)</b>
<b>Credited to Services</b>		
Dedicated Schools Grant	(245,394)	(242,917)
Standards Fund	(26,506)	(21,723)
Learning & Skills Council	(22,015)	(24,223)
Sure Start & Early Years	(12,282)	(9,178)
PFI	(3,978)	(3,978)
Schools Standards Grant	(13,882)	(13,819)
Benefits Admin Grant	(2,855)	(2,964)
Other Grants	(32,176)	(30,846)
Other Contributions	(15,399)	(13,750)
Donations	(2,416)	(2,011)
<b>Total</b>	<b>(376,903)</b>	<b>(365,409)</b>
<b>Total Grants, Contributions &amp; Donations</b>	<b>(504,085)</b>	<b>(486,153)</b>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

	31 March 2011 £000
<b>Revenue Grants to be returned (Creditor)</b>	
Other Grants	(49)
<b>Total</b>	<b>(49)</b>

	31 March 2011 £000
<b>Revenue Grants Receipts in Advance</b>	
Potholes Funding	(3,741)
Other Grants	(25)
<b>Total</b>	<b>(3,766)</b>

	31 March 2011 £000
<b>Capital Grants Receipts in Advance</b>	
Other Capital Grants	(11)
Other Capital Contributions	(50)
<b>Total</b>	<b>(61)</b>

**Note 39 Related Parties**

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

**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.

**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** – In 2010/2011 the Council charged the fund £0.947 (£1.022 million in 2009/2010) for expenses incurred in administering the fund.

During 2010/11 various Wiltshire Council Councillors were also members of parish or town councils, police bodies and other bodies. Significant payments made to these bodies by Wiltshire Council are listed below:

	2010/2011 £000	2009/2010 £000
Age Concern	160	0
Amesbury Town Council	27	0
Calne Leisure Centre	76	76
Calne Town Council	109	113
Chippenham Town Council	43	87
Devizes Town Council	30	72
Environment Agency	592	599
Jephson Housing Association	1,231	1,108
Lady Margaret Hungerford Charities	21	22
Marlborough Town Council	0	51
Salisbury and South Wiltshire Museum	20	0
Salisbury City Council	340	641
Salisbury NHS Trust	158	263
Salisbury Playhouse	155	156
Selwood Housing Association	15,818	14,105
Trowbridge Town Council	179	210
Westbury Town Council	21	0
Westlea Housing Association	16,094	14,376
Wiltshire and Berkshire Canal Trust	24	0
Wiltshire Blind Association	29	29
Wiltshire and Swindon Fire Authority	45	24
Wiltshire Police Authority	1,235	1,191
Wiltshire Wildlife Trust	736	633
Wootton Bassett Town Council	0	93
<b>Total</b>	<b>37,143</b>	<b>33,849</b>

Significant amounts owed to the bodies disclosed above at 31 March 2011 were as follows (these amounts are included in Short Term Creditors in the Balance Sheet):

	2010/2011 £000
Jephson Housing Association	(113)
Marlborough Town Council	(29)
Salisbury City Council	(83)
Wiltshire and Swindon Fire Authority	(24)
	<b>(249)</b>

**Note 40 Capital Expenditure and Capital Financing**

Below is the financing of the year's capital expenditure on fixed assets and revenue expenditure funded from capital under statute:

	31 March 2011		31 March 2010	
	£000	£000	£000	£000
<b>Opening Capital Financing Requirement</b>		299,546		235,798
Prior Year Adjustment - PFI			53,033	
Prior Year Adjustment		(18,450)		
<b>Capital Investment</b>				
Plant Property & equipment Assets	91,785		90,672	
Investment Properties	232		0	
Intangible assets	1,781		0	
Revenue Expenditure Funded from Capital under Statute	20,806		16,652	
		114,604		160,357
<b>Sources of Finance</b>				
Government Grants and Other Contributions	(52,619)		(57,641)	
Capital Receipts	(8,493)		(23,217)	
Transfer from Capital Reserve	(500)		(4,663)	
Assets purchased through Revenue	(2,015)		(84)	
Minimum Revenue Provision	(9,507)		(9,314)	
Voluntary Revenue Provision	(670)		(900)	
Minimum Revenue Provision - PFI Schemes	(850)		(790)	
Minimum Revenue Provision - Finance leases	(618)		0	
		(75,272)		(96,609)
<b>Closing Capital Financing Requirement</b>		<b>320,428</b>		<b>299,546</b>
<b>Explanation of Movements in the Year</b>				
Increase / (decrease) in underlying need to borrow		39,332		11,505
Effect of bringing the PFI into the balance sheet				52,243
Increase / (decrease) in Capital Financing Requirement		<b>39,332</b>		<b>63,748</b>

**Note 41 Leases****Finance leases**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Under the new IFRS regime the tests for classifying a finance lease has changed, so for 2010/2011 a full examination of the council's leases was undertaken. This resulted in all the property leases the council was previously classifying as Finance leases have now been reclassified to Operating leases. It has also meant that some leases the council was classifying as operating leases in respect of Vehicles have now been reclassified as finance leases.

A summary of the position and a breakdown of the rentals paid in 2010/2011 and future obligations in respect of finance leases are listed below:

Future finance lease obligations	Principal	Interest
	£000	£000
Amounts payable in 2011/12	4	0
Amounts payable between 2012/13 & 2015/16	44	0
Amounts payable in 2016/17 and after	0	0
	<b>48</b>	<b>0</b>
<b>Asset Class</b>		
Plant & equipment	<b>48</b>	<b>0</b>

Finance Lease payments in 2010/11	Principal £000	Interest £000	Total £000
Land and Buildings	58	0	58

### Operating leases

An operating lease is a lease that is not a finance lease (see above) and includes vehicles and gas central heating equipment. Rentals paid in respect of operating leases and future obligations for operating leases are listed below:

Operating Lease payments in 2010/11	2010/2011 £000
Plant, vehicles and equipment	1336

Operating lease payments due in 2010/11	2010/2011 £000
Amounts payable where lease expires in 2010/11	234
Amounts payable where lease expires between 2011/12 to 2014/15	856
Amounts payable where lease expires in 2015/16 or after	10
	<b>1,100</b>
Asset Class	
Plant, vehicles and equipment	<b>1,100</b>

### Leases held as investments

The Council does not receive income from finance leases or hire purchase contracts and has not acquired any assets for the purpose of letting under finance leases.

### Note 42 Private Financing Initiatives and similar contracts

#### North Wiltshire Schools PFI & additional 6<sup>th</sup> form units.

##### Introduction

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

##### Accounting treatment

Under the previous accounting arrangements prior to 2009-10, this scheme was considered an 'off balance sheet' PFI as the Wiltshire County Council PFI agreement was felt to transfer the balance of risk and reward of ownership of the schools to the PFI operator. This meant the assets and liabilities of the scheme were not recorded on the Wiltshire County Council balance sheet. Under both SORP 2009 and the CIPFA Guidance Notes 2010-11 as part of IFRS, this PFI is now regarded to be an 'on balance sheet' PFI. Therefore, prior year adjustments were made to the accounts in 2009-10 to reflect this change: in 2010-11 the changes to the income and expenditure account were "in year" only as the assets and liabilities of the PFI scheme had already been incorporated onto the Balance Sheet in 2009-10.

In 2010-11 as in 2009-10, an estimate of the amount of the element of PFI payments that relates to repaying the finance liability has been made and taken from the net cost of services. In order to mitigate the effect of this on the general fund balances an equal charge for the additional Minimum Revenue Provision incurred has been made.

##### Funding

The funding for the annual PFI payment comes 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 £107 million (these relate to the main school buildings only not the sixth form units), which are credited to the revenue account in the year that they are received.

**PFI Smoothing Fund Earmarked Reserve**

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 Expenditure**

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.

The funding of the unitary payment will come from the individual schools budget, the overall Schools Budget and a special government grant (the PFI credits referred to above).

As at 31 March 2011 payments totalling £42.3 million have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

	2010/2011 Liability	2010/2011 Interest	2010/2011 Service charges	2010/2011 Total	2009/2010 Total
Period	£000	£000	£000	£000	£000
Within 1-5 years	3,593	9,162	15,005	27,760	28,900
Within 6-10 years	5,280	6,947	17,393	29,620	30,900
Within 11-15 years	7,758	3,692	20,160	31,610	33,100
Within 16-20 years	11,398	257	22,095	33,750	35,600
Within 21-25 years	2,937	0	4,083	7,020	15,200
<b>Total</b>	<b>30,966</b>	<b>20,058</b>	<b>78,736</b>	<b>129,760</b>	<b>143,700</b>

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

**Monkton Park Offices former PFI Scheme****Introduction**

North Wiltshire District Council entered into a long-term contract for the provision and management of Monkton Park offices. This contract is for a period of 25 years.

**Accounting treatment**

Under the provisions of the SORP 2009 most PFI schemes were to be brought 'on balance sheet'. This scheme was already largely being treated as 'on balance sheet' so there were fewer changes to be made to restate this scheme. The assets and liabilities of this scheme were already reflected in the balance sheet.

As part of the contract the council transferred ownership of three offices to the contractor at a value of £1.05m, these were being treated as a long term debtor in the accounts that was being amortised to revenue over the 25 years. This treatment has changed and the debtor has been written off to reduce the value of the outstanding liability.

**Recent Developments**

The previous operators of the Monkton Park site were Jarvis plc, who went into administration in March 2010. Working through the provision of the PFI contract, the Council was able to terminate the Facilities Management provisions of the contract (12 January 2011) without penalty. This means that a new Facilities Management contract is being agreed. This contract will be a standard Facilities Management contract, and not be connected to PFI. However, the loan associated with the capital and interest cost of building Monkton Park still has to be repaid, though to the Bank rather than to the PFI joint vehicle. Therefore, this change does not impinge on the Balance Sheet accounting adjustments required under IFRS.

**Income and Expenditure**

The expenditure payable from 12 January 2011 onwards is therefore the “availability charge”, the amount required for capital and interest only. Under the terms of the contract this amount increases by RPI plus 1% each January. The grant or PFI credit received is a fixed sum so an equalisation reserve has been set up to smooth this increase in charges over the contract term.

The “availability charge” payments required for the remaining years for the contract are set out below: the figures are significantly lower compared to the previous year because, as explained above, the extent of the PFI contract is now more limited as the Facilities management elements of the contract have been terminated.

Period	2010/2011	2010/2011	2010/2011	2009/2010
	Liability £000	Interest £000	Total £000	Total £000
Within 1-5 years	1,809	4,371	6,180	10,410
Within 6-10 years	2,424	4,916	7,340	12,380
Within 11-15 years	3,176	5,544	8,720	14,710
Within 16-20 years	1,512	2,418	3,930	6,630
Within 21-25 years	0	0	0	0
<b>Total</b>	<b>8,921</b>	<b>17,249</b>	<b>26,170</b>	<b>44,130</b>

**Note 43 Impairment Losses**

A breakdown of the impairment losses charged to Property, plant and equipment by asset class are detailed in note 12.

**Note 44 Capitalisation of Borrowing Costs**

The Council has not capitalised any borrowing costs in the year.

**Note 45 Authorisation of Accounts for Issue**

These accounts were considered and authorised by the Chief Financial Officer of Wiltshire Council on the 29 June 2011. The final, audited version of these accounts will be considered and approval sought at the Audit Committee at its meeting on 30<sup>th</sup> September 2011.

**Note 46 Pension Schemes Accounted for as defined contribution Schemes****Teachers pension scheme**

In 2010/2011 the Council paid £18.98 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 Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2010/2011 these amounted to £2.21 million.

**Note 47 Defined benefit Pension Schemes****Participation in Pensions Schemes**

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 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.

Liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, on an actuarial basis using the projected unit method based on the full actuarial valuation of the fund carried out at 31 March 2010.

In 2010/2011, pension costs have been charged to the Income and Expenditure Account on the basis required by IAS 19, contributions payable to the Wiltshire Council pension scheme are based on an actuarial valuation at 31 March 2011.

The estimated employer contributions for the year to 31 March 2012 will be approximately £27.812 million.

The amounts determined by the actuary to be charged to the revenue account under IAS 19 were as follows:

	Year to 31 March 2011 £000	Year to 31 March 2011 % of Payroll	Year to 31 March 2010 £000	Year to 31 March 2010 % of Payroll
Current Service Costs	28,741	20.5%	14,331	11.2%
Interest Costs	57,851	41.3%	48,967	38.2%
Expected return on Employer Assets	(39,621)	(28.3%)	(26,589)	(20.7%)
Past Service Costs	(103,331)	(73.7%)	219	0.2%
Losses on Curtailments and Settlements	2,613	1.9%	5,138	4.0%
<b>Total Recognised in Profit and Loss</b>	<b>(53,747)</b>	<b>(38.3%)</b>	<b>42,066</b>	<b>32.9%</b>
<b>Actual Return on Plan Assets</b>	<b>26,377</b>		<b>139,598</b>	

These IAS 19 amounts are then reversed out by a contribution to/from the Pensions reserve, so that they have no impact on the Council Tax.

### Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Authority as at 31 March 2011 are as follows:

Local Government Pension Scheme	31 March 2011 £000	31 March 2010 £000
<b>Fair Value of Employer Assets</b>	<b>613,202</b>	<b>558,637</b>
Present Value of Funded Liabilities	(875,275)	(1,059,501)
<b>Net (Under)/Overfunding in Funded Plans</b>	<b>(262,073)</b>	<b>(500,864)</b>
Present value of Unfunded Liabilities	(49,351)	(64,078)
Unrecognised Past Service Cost	0	0
<b>Net Asset/(Liability)</b>	<b>(311,424)</b>	<b>(564,942)</b>
Amount on balance sheet		
<b>Liability</b>	<b>(311,424)</b>	<b>(564,942)</b>
<b>Asset</b>	<b>0</b>	<b>0</b>
<b>Liability Amount in Balance Sheet</b>	<b>(311,424)</b>	<b>(564,942)</b>

A more detailed breakdown is included in note 24c.

The Liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. Statutory arrangements for the funding of 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.

### Basis for Estimating Assets and Liabilities

This estimates the pensions that will be payable in future years dependant on certain assumptions. The main assumptions used in the calculations are:

**Assumptions as at Year Ended:**

	31 March 2011 % per annum	31 March 2010 % per annum
Inflation/ Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Expected Return on Assets	6.7%	7.0%
Discount Rate	5.5%	5.5%

**Assumptions on Mortality Rates**

Life expectancies are based on the PFA92 and PMA92 tables are projected as follows:

	Males	Females
Current Pensioners	21.3 years	23.6 years
Future Pensioners	23.3 years	25.5 years

Year Ended	Prospective Pensioners	Pensioners
31 March 2010	Year of birth, medium cohort and 1% pa minimum improvements from 2007	Year of birth, medium cohort and 1% pa minimum improvements from 2007
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2033	calendar year 2017
31 March 2007	calendar year 2017	calendar year 2004

Assets in the Wiltshire County Council Pension Fund are valued at a fair value, principally market value for investment and consist of the following categories, by proportion:

Assets at Year Ended:	Expected Return on assets		Fair Value of employer assets	
	31 March 2011 % per annum	31 March 2010 % per annum	31 March 2011 £000	31 March 2010 £000
Equities	7.5%	7.8%	404,713	396,632
Bonds	4.9%	5.0%	116,508	89,382
Property	5.5%	5.8%	67,452	50,277
Cash	4.6%	4.8%	24,528	22,346
<b>Total</b>			<b>613,201</b>	<b>558,637</b>

**Amount to be charged to operating profit****Year Ended**

	31 March 2012	
	£000	% of Payroll
<b>Projected Current Service Cost</b>	<b>25,239</b>	<b>18.4%</b>
Interest on Obligation	51,107	37.3%
Expected Return on Plan Assets	(41,584)	(30.4%)
Past Service Cost	0	0.0%
Losses/ (Gains) on Curtailments and Settlements	0	0.0%
<b>Total</b>	<b>34,762</b>	<b>25.3%</b>

**Actuarial Gains and Losses**

The actuarial gain on the Pensions Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities:

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000
Fair Value of Employer Assets	613,202	558,637	286,896	355,074	369,946
<b>Present Value of Defined Benefit Obligation</b>	<b>(924,626)</b>	<b>(1,123,579)</b>	<b>(482,981)</b>	<b>(486,066)</b>	<b>(516,842)</b>
Surplus/ (Deficit)	(311,424)	(564,942)	(196,085)	(130,992)	(146,896)
Experience Gains/ (Losses) on Assets	(1,082)	113,009	(105,761)	(50,647)	(5,204)
Experience Gains/ (Losses) on Liabilities	48,179	(4,274)	1,503	(7,073)	19,395

The actuarial gains or losses recognised in the Comprehensive Income and Expenditure Statement for the current and previous accounting periods, and the cumulative actuarial gains and losses are shown below:

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000
Actuarial Gains/(Losses)	168,079	(256,864)	(62,047)	13,879	42,046
Increase/ (Decrease) in Irrecoverable Surplus from membership	0	0	0	0	0
Total Actuarial Gains/(Losses) recognised in the STRGL	168,079	(256,864)	(62,047)	13,879	42,046
<b>Cumulative Actuarial Gains/(Losses)</b>	<b>(162,181)</b>	<b>(330,260)</b>	<b>(73,396)</b>	<b>(11,349)</b>	<b>(25,228)</b>

Further information can be found in the Wiltshire Pension Fund annual report 2010/2011 which is available on request. Requests for this report, or any other queries arising from the Wiltshire Pension Fund Accounts, should be addressed to the Chief Financial Officer, Wiltshire Council, County Hall, Bythesea Road, Trowbridge, BA14 8JN

### Note 48 Contingent Liabilities

The Council is required to show an estimate of future costs that may occur that are not currently reflected in the accounts. The estimate of the costs is a contingent liability. The council has identified the following 4 contingent liabilities.

#### Sewerage Scheme West Wiltshire Council Houses

The agreement by the former West Wiltshire District Council to transfer its council properties to West Wiltshire Housing Society (now known as Selwood Housing) included a clause that the council would indemnify Selwood in respect of the cost of repairing or replacing sewers and plant. Selwood will meet the costs to the level of an agreed threshold and thereafter the Council will meet any costs. Any unspent amounts below the threshold will be carried forward and serve to increase the threshold in the following year. No liability was disclosed in 2009/2010 due to the legal advice at the time. By the nature of the agreement it is not possible to calculate the exact liability of the Council, however provisional figures suggest the total is around £850k for historic works and for works over the next 4 years. The indemnity will terminate on 31 March 2031.

#### Termination Benefits

Due to the management restructure a considerable number of employees will have requested voluntary redundancy at the time of the balance sheet date without the agreement being reached that the redundancy will be granted. This creates a contingent liability for the Council. The estimated maximum exposure is £4.245m but the actual figure is likely to be significantly lower than this.

#### Contract Dispute

A school for which Wiltshire Council is the Local Education Authority for entered into a building contract on their own initiative for extensions to the school. A dispute has now arisen with the builder in respect of variations to the original contract which may result in an as yet unknown amount of expenses being incurred. As the school is a foundation school, it is the school which owns the land and assets. Wiltshire Council has a duty to maintain the school which includes the duty of defraying all the expenses of maintaining it and therefore ultimately the Council may be liable to defray any expenses in respect of this claim.

#### Land Charges

Central Government instructed in July 2010 that as of August 2010, Local Authorities will no longer be allowed to charge a fee for personal searches of the local land charges register as charging a fee does not comply with the Environmental Information Regulations 2004. Where a fee has been charged from January 2005 (when the regulations came into effect) onwards, refunds may be liable, depending on each claims individual circumstances. Due to the uncertainties it is not possible to place an amount on the potential liability. Financial assistance in the form of a Central Government grant is intended to ease the burden of the potential liabilities that Wiltshire Council and other Local Authorities may incur.

### Note 49 Contingent Assets

A Contingent Asset is defined as a possible asset that arises from a past event and whose existence will be confirmed only by the occurrence of one or more future events not wholly within the authority's control. This is not recognised in the Income and Expenditure Account or Balance Sheet because prudence cautions that the gain might never be realised.

Both contingent assets to note for the year ended 31 March 2011 relate to VAT.

**VAT – Off-Street Car Parking**

The Council is pursuing a possible retrospective claim for reimbursement from HM Revenues and Customs (HMRC) for VAT output tax paid over in respect of 'off street' car parking income.

The council cannot pursue this claim until the 'Isle of Wight' case has been resolved. Should the final decision fall in favour of the Isle of Wight (plus others), and Wiltshire Council subsequently win its own tribunal case, the amount of overpaid VAT due to the Council would be in the region of £12.2million.

**VAT – Fleming Claim**

The Council is pursuing some retroactive claims from HMRC for the repayment of output tax that was overpaid or input tax that was under claimed during the period of 1 April 1973 and 4 December 1996.

These claims are being sought on a variety of services, following a decision in the House of Lords in the case of 'Fleming' and 'Condé Nast'.

The total VAT claim for Wiltshire Council is approximately £0.33 million.

**Note 50 Nature and Extent of risks arising from Financial Instruments****Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum exposures to the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The Annual Treasury Management Strategy 2010/11, which incorporates the prudential indicators was approved by the Council on 23/02/10 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2010/11 was set at £375.2 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £326.3 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20%, respectively, based on the Council's net debt.
- the maximum and minimum exposures to the maturity structure of debt were set at 15% and 0% for less than one year and one to two years; 45% and 0% for two to five years; 75% and 0% for five to ten years and 100% and 0% for in excess of 10 years, respectively.

- These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically

The Annual Investment Strategy sets out the Council's investment policy, together with the minimum requirements for "high credit rating". The latest Treasury Management Strategy 2011/12 was approved by the Council at its meeting on 22 February 2011 and is available from the Council's Website under committee papers relating to the Cabinet meeting on 25 January 2011, agenda item number 13 on page 193 of the reports pack.

The Council contracts with a treasury adviser, regularly reviewing credit ratings of potential organisations and their respective country's ratings incorporating all three main credit rating agencies, together with other 'tools' used to assess the credit quality of institutions such as credit default swaps. The Council uses this information to assess institutions 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 Council's investment policy is 'aimed' at the prudent investment of surplus cash balances to optimise returns whilst ensuring the security of capital and liquidity of investments. However, as with the experience of Icelandic bank investments in October 2008, the Council, like any other organisation, can be exposed to financial risk. Examples of the main risks are shown 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 and regularly updated lending list, which categorises counterparties according to country, type, sector, maximum investment (individually and as a group) and the 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 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 (changes in the level of interest rates). Within the context of the financial instruments that the Council currently holds, it does not have significant exposure to equity risk (changes in share prices), currency risk (foreign exchange rate movements) and commodity risk (changes in the price of e.g. grain, metals etc).

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. Information, including regular updates, provided by treasury advisers enables the Council to manage and monitor forecast borrowing rates and to support decisions in respect of the restructuring of loans.

### **Exposure to Risk - Summary Data**

#### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's

and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after the application of this initial criteria. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:
  - credit watches and credit outlooks from credit rating agencies
  - CDS spreads to give early warning of likely changes in credit ratings
  - sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2010/11 was approved by Full Council on 23/02/10 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £82.2 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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

Country	Sovereign Rating	Credit Rating Category	Type of Institution	Duration	Investment Held %	Maximum Invested with Single Counterparty %
N/A	N/A	AAA - Max. £15 million	Money Market Funds	0-2 Years	46.28	17.25
United Kingdom	AAA	F1+/AA - Max. £15 million	UK Banks	0-1 Year	0.47	0.47
United Kingdom	AAA	F1+/AA - Max. £15 million	UK Banks	0-6 Months	17.87	17.86
United Kingdom	AAA	F1+/AA - Max. £15 million	UK Banks	0-3 Months	16.99	16.99
United Kingdom	AAA	Government Backed - Max. £15 million	UK Banks	0-1 Year	9.46	6.01
United Kingdom	AAA	No Rating	UK Building Societies	N/A	0.00	0.00
Sweden	AAA	F1+/A+ - Max. £8 million	Overseas Banks	0-1 Year	0.03	0.03
UK Subsidiary (Iceland)		No Rating	Overseas Banks	N/A	8.90	8.90
					100.00	

The above table is based on credit ratings as at 31 March 2011 and includes investments with Icelandic banks, which were still outstanding, that did not have credit ratings at that date.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

UK banks include UK subsidiaries, the parent banks of which are based in Australia (Sovereign rating AA+) and Spain (Sovereign rating AA+). Investments in UK institutions, including the UK subsidiaries, make up 45% of the Council's total outstanding investments at 31 March 2011, with 9% invested overseas, the balance (46%) being held in money market funds. Any institutions, which, after 31 March 2011, no longer fall within the

minimum investment criteria laid down in the Council's Annual Investment Strategy have subsequently been removed and any outstanding investments terminated at the earliest opportunity.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The table excludes Icelandic deposits, which the authority has impaired down, using the net present value approach, to the expected level of repayments based on the latest available guidance in LAAP 82 Update 4 May 2011 issued by CIPFA.

	Amount at 31 March 2011	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2010 %	Estimated maximum exposure to default and uncollectabi lity	Estimated maximum exposure at 31 March 2011
	A	B	C	(AxC)	
Deposits with banks and financial institutions	76,780,517	0	0	0	0
Bonds	0	0	0	0	0
Debtors				0	

No credit limits were exceeded during the reporting period.

The Council does not normally allow credit for customers. The past due amounts for both debtors and the outstanding Icelandic bank investments can be analysed as follows.

	31/03/2011 Debtors	31/03/2011 Investments	31/03/2011 Total
Less than three months		512,203	512,203
Three to six months		379,115	379,115
Six months to one year		1,482,961	1,482,961
More than one year		3,043,094	3,043,094
<b>Total</b>	<b>0</b>	<b>5,417,373</b>	<b>5,417,373</b>

Collateral - During the reporting period, the Council held no collateral as security.

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

At 31 March 2011 Wiltshire 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 one year). The following table shows the detailed maturity analysis of debt

outstanding at the Balance Sheet date and the average rate of interest. The table shows that the overall average interest rate is 4.2%.

Term of Loan	Market Loans (at the effective interest rate)	PWLB Loans (including Accrued Interest)	Total Amount Outstanding (including Accrued Interest)	Percentage of Total Loans	Average Rate of Interest
Within 1 Year	0	1,252,899	1,252,899	0.5%	4.429%
Between 1 and 2 Years	0	16,028	16,028	0.0%	4.429%
Between 2 and 5 Years	0	24,048,805	24,048,805	9.7%	3.189%
Between 6 and 10 Years	0	22,000,000	22,000,000	8.9%	3.842%
Between 11 and 15 Years	0	6,123,038	6,123,038	2.5%	4.432%
More than 15 Years	61,897,584	131,859,581	193,757,165	78.5%	4.375%
	61,897,584	185,300,351	247,197,935	100.0%	4.200%

The Council's policy is to limit the amount maturing in any one financial year to a maximum of 15%. Currently the maximum is 5.3% (£13 million in both 2052-53 and 2053-54).

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 period that reflects the contracted maturity date (as opposed to the option date) as recommended by SORP 2010. On this basis, all current LOBOs fall within the "More than 15 Years" maturity period.

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2011		Actual 31 March 2010	
			£000s	%	£000s	%
Less than 1 Year	0%	15%	1,252.9	0.5%	14.7	0.0%
Between 1 and 2 Years	0%	15%	16.0	0.0%	15.4	0.0%
Between 2 and 5 Years	0%	45%	24,048.8	9.7%	2,057.2	1.0%
Between 5 and 10 Years	0%	75%	22,000.0	8.9%	4,030.9	1.9%
More than 10 Years	0%	100%	199,880.2	80.9%	200,791.6	97.1%
			247,197.9	100.0%	206,909.7	100.0%

### Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- Borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates - the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- Investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Wiltshire 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 or commodity risk). At 31 March 2011 the Council held £82.2 million (including accrued interest, less impairment) in investments, at various interest rates. This comprised £79.2 million short term investments and £3.0 million investments classified as long term, being anticipated Icelandic deposits repayable in more than one year.

Where interest rates decrease at a time when the Council has cash "tied up" in short term investments there is an opportunity benefit, which reflects the benefit that has been gained because the Authority has been able to invest at the higher rate of interest. If interest rates had been below rates obtained on the investments outstanding at 31 March 2011 and the investments had matured prior to that date, interest taken to the Comprehensive Income and Expenditure Statement could have been less than the interest actually credited to the account. Of course, the opposite could have been true if interest rates had risen.

The fair value of the Council's long and short term investments has been calculated using the latest guidance (per LAAP 82 Update No. 4 May 2011) in respect of the expected repayments from Icelandic investments and market rates at 31 March 2011 in the case of other short term investments. This valuation is not significantly different from the carrying amount of the investments in the accounts.

The average interest rate receivable on all short term investments held at 31st March 2011 was 0.80%. If the average rate of interest had increased by 0.5% one month prior to 31st March 2011, the additional interest that could have been credited to the Comprehensive Income and Expenditure Statement and the Council would have been £34,000 "better off" than if the funds were invested at the lower rate. With the benefit of hindsight, market conditions at the balance sheet date indicate that interest rates didn't fluctuate significantly between the issue dates of the investments and 31 March 2011, particularly as the investments were held mainly in fixed rate call accounts and money market funds.

**Price risk** - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk** - The Council has no financial assets or liabilities denominated in foreign currencies and, therefore, has no exposure to loss arising from movements in exchange rates

## Note 51 Summary of Prior Year adjustments

	Wiltshire Council 31 March 2009 £000	Reclassify £000	Govn Grants Capital £000	Investment Properties £000	Govn Grants Revenue £000	Leases £000	Absences £000	Other £000	Wiltshire Council 31 March 2009 £000
<b>Fixed Assets</b>									
<b>Property, Plant and Equipment/ Operational assets</b>									
Council dwellings & garages	249,823								249,823
Operational properties and land	577,505								577,505
Vehicles, plant and equipment	20,493								20,493
Infrastructure	198,337								198,337
Community assets	5,468								5,468
Assets under construction	0	17,659							17,659
Surplus assets not held for sale	0	142							142
<b>Non-Operating Assets</b>									
Investment properties	44,699								44,699
Intangible Assets	11,391								11,391
Assets under construction	17,659	(17,659)			0				0
Assets held for sale	142	(142)							0
<b>Total Fixed Assets</b>	<b>1,125,517</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,125,517</b>
Long term debtors	2,444								2,444
Long Term Investments									
<b>Total Long Term Assets</b>	<b>1,127,961</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,127,961</b>
<b>Current Assets</b>									
Stocks and work in progress	920								920
Debtors	62,387								62,387
Temporary investments	97,374								97,374
Cash and Bank	33,425								33,425
<b>Total Assets</b>	<b>1,322,067</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,322,067</b>
<b>Current Liabilities</b>									
Creditors	(110,852)		18,371		3,561		(20,799)		(109,719)
Capital Grants and Contributions RIA	0		(18,803)						(18,803)
Bank Overdraft	(20,492)								(20,492)
Long term loans maturing within 1 year	(5,130)								(5,130)
<b>Total Assets less Current Liabilities</b>	<b>1,185,593</b>	<b>0</b>	<b>(432)</b>	<b>0</b>	<b>3,561</b>	<b>0</b>	<b>(20,799)</b>	<b>0</b>	<b>1,167,923</b>
<b>Long Term Liabilities</b>									
Long Term creditors (Inc PFI)	(40,651)								(40,651)
Provisions	(2,670)								(2,670)
Long Term Borrowing	(186,656)								(186,656)
Other long term creditors	(988)								(988)
Pension Fund Liability	(290,049)								(290,049)
Planning Deposits	(4,010)		(1,465)						(5,475)
Government Grants Deferred	(75,334)		75,334						0
Capital Contributions Deferred	(15,453)		15,453						0
Deferred Liability	(656)								(656)
<b>Total Assets less Liabilities</b>	<b>569,126</b>	<b>0</b>	<b>88,890</b>	<b>0</b>	<b>3,561</b>	<b>0</b>	<b>(20,799)</b>	<b>0</b>	<b>640,778</b>
<b>Financed by</b>									
<b>Useable Reserves</b>									0
General Fund	(13,340)								(13,340)
Earmarked Reserves	(56,536)				(3,561)				(60,097)
Housing Revenue Account Balance	(10,942)								(10,942)
Major Repairs Reserve	(1,144)								(1,144)
Useable Capital Receipts Reserve	(21,343)								(21,343)
Capital Grants and Contributions Unapplied Account	0								0
<b>Unuseable Reserves</b>									
Revaluation Reserve	(93,277)			5,458					(87,819)
Capital Adjustment Account	(663,530)		(88,890)	(5,458)					(757,878)
Financial Instruments Adjustment Account	3,610								3,610
Deferred Capital Receipts	(1,900)								(1,900)
Pension Reserve	290,049								290,049
Collection Fund Adjustment Account	(773)								(773)
Accumulated Absences Account							20,799		20,799
<b>Total Equity</b>	<b>(569,126)</b>	<b>0</b>	<b>(88,890)</b>	<b>0</b>	<b>(3,561)</b>	<b>0</b>	<b>20,799</b>	<b>0</b>	<b>(640,778)</b>

	Wiltshire Council 31 March 2010 £000	Reclassify £000	Govn Grants Capital £000	Investment Properties £000	Govn Grants Revenue £000	Leases £000	Absences £000	Other £000	Wiltshire Council 31 March 2010 £000
<b>Fixed Assets</b>									
<b>Property, Plant and Equipment/ Operational assets</b>									
Council dwellings & garages	245,595								245,595
Operational properties and land	544,538								544,538
Vehicles, plant and equipment	17,496								17,496
Infrastructure	202,333								202,333
Community assets	5,458								5,458
Assets under construction	0	72,274							72,274
Surplus assets not held for sale	0	76							76
<b>Non-Operating Assets</b>									
Investment properties	41,891								41,891
Intangible Assets	9,317								9,317
Assets under construction	72,274	(72,274)							0
Assets held for sale	76	(76)							0
<b>Total Fixed Assets</b>	<b>1,138,978</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,138,978</b>
Long term debtors	2,632								2,632
Long Term Investments	5,003								5,003
<b>Total Long Term Assets</b>	<b>1,146,613</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,146,613</b>
<b>Current Assets</b>									
Stocks and work in progress	813								813
Debtors	63,014								63,014
Temporary investments	57,626								57,626
Cash and Bank	25,960								25,960
<b>Total Assets</b>	<b>1,294,026</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,294,026</b>
<b>Current Liabilities</b>									
Creditors	(103,387)		15,881		10,689		(22,737)		(99,554)
Capital Grants and Contributions RIA	0		(13,330)						(13,330)
Bank Overdraft	(11,571)								(11,571)
Long term loans maturing within 1 year	(1,040)								(1,040)
<b>Total Assets less Current Liabilities</b>	<b>1,178,028</b>	<b>0</b>	<b>2,551</b>	<b>0</b>	<b>10,689</b>	<b>0</b>	<b>(22,737)</b>	<b>0</b>	<b>1,168,531</b>
<b>Long Term Liabilities</b>									
Long Term creditors (Inc PFI)	(42,182)								(42,182)
Provisions	(3,299)								(3,299)
Long Term Borrowing	(205,870)								(205,870)
Other long term creditors	(625)								(625)
Pension Fund Liability	(564,942)								(564,942)
Planning Deposits	(16,004)								(16,004)
Government Grants Deferred	(118,907)		118,907						0
Capital Contributions Deferred	(20,632)		20,632						0
Deferred Liability	(1,431)								(1,431)
<b>Total Assets less Liabilities</b>	<b>204,136</b>	<b>0</b>	<b>142,090</b>	<b>0</b>	<b>10,689</b>	<b>0</b>	<b>(22,737)</b>	<b>0</b>	<b>334,178</b>
<b>Financed by</b>									
<b>Useable Reserves</b>									
General Fund	(13,770)								(13,770)
Earmarked Reserves	(30,753)				(10,689)				(41,442)
Housing Revenue Account Balance	(12,746)								(12,746)
Major Repairs Reserve	(632)								(632)
Useable Capital Receipts Reserve	(3,016)								(3,016)
Capital Grants and Contributions Unapplied Account	0		(2,552)						(2,552)
<b>Unuseable Reserves</b>									
Revaluation Reserve	(104,074)			5,643					(98,431)
Capital Adjustment Account	(604,826)		(139,538)	(5,643)					(750,007)
Financial Instruments Adjustment Account	3,148								3,148
Deferred Capital Receipts	(1,752)								(1,752)
Pension Reserve	564,942								564,942
Collection Fund Adjustment Account	(657)								(657)
Accumulated Absences Account							22,737		22,737
<b>Total Equity</b>	<b>(204,136)</b>	<b>0</b>	<b>(142,090)</b>	<b>0</b>	<b>(10,689)</b>	<b>0</b>	<b>22,737</b>	<b>0</b>	<b>(334,178)</b>

**Prior Year Adjustments – Property, Plant and Equipment Reclassification**

Following the introduction of International Financial Reporting Standards for 2010/2011 it was necessary to reclassify assets. The SORP categories of Non Operational Assets and Operational Assets have been removed and the asset classes within this have been reassigned either to Property, Plant and Equipment (PPE) or are disclosed directly on the face of the Balance Sheet. The adjustments required for the 2008/2009 and 2009/2010 closing Balance Sheets have been highlighted in the above tables.

**Prior Year Adjustments – Government Grants Capital**

As part of the introduction of IFRS the treatment of capital grants has changed. The previous treatment as per the SORP of recognising the income as a deferred grant and amortising it to revenue over the lifetime of the asset incurred has changed. It is now necessary to recognise the income through the Comprehensive Income and Expenditure Account (CIES) and reverse this out to the Capital Adjustment Account. There are also new reserves and creditor lines created for when the Council has received the grant but not used it to finance capital expenditure. The adjustments required for the 2008/2009 and 2009/2010 closing Balance Sheets have been highlighted in the above tables.

**Prior Year Adjustments – Investment Properties**

Under IFRS any revaluation gains or losses to Investment Properties does not go through the Revaluation Reserve it goes directly to the CIES. Therefore any Revaluation Reserve balance relating to previous revaluation gains has to be written off to the Capital Adjustment Account. The adjustments required for the 2008/2009 and 2009/2010 closing balance sheets have been highlighted in the above tables.

**Prior Year Adjustments – Government Grant Revenue**

Under IFRS the treatment of revenue grants has also changed. Where grant conditions have been met or no conditions exist they need to be shown in the CIES immediately and should no longer be shown as a Receipt in Advance/Creditor. Any unspent amounts may be taken to Earmarked Reserves and used in future as expenditure is incurred. Where conditions have not yet been met but it is likely that they will be in future then the grant should be held as a Receipt in Advance. If it is unlikely that the conditions will ever be met and therefore the grant is required to be returned to the giver then the grant is held as a Short Term Creditor. The adjustments required for the 2008/2009 and 2009/2010 closing Balance Sheets have been highlighted in the above tables.

**Prior Year Adjustments – Accumulated Absences**

Under IFRS the expenditure related to accumulated absences incurred but not taken (i.e. untaken holiday leave) must be accrued for in the CIES. In order to ensure that these costs do not affect the General Fund balance a creditor and offsetting Accumulated Absences Reserve have been created to mitigate against these costs shown in the CIES. The adjustments required for the 2008/2009 and 2009/2010 closing Balance Sheets have been highlighted in the above tables.

**Note 52 Useable Capital Receipts Reserve**

	2010/2011 Wiltshire Council		2009/2010 Wiltshire Council
	£000	£000	£000
<b>Amounts Receivable in year</b>			
- disposal of land and buildings	(5,183)		(5,301)
- Other capital receipts	(295)		
- Housing Pooled Capital Receipt	(774)		(683)
		<b>(6,252)</b>	<b>(5,984)</b>
<b>Amounts applied to finance new capital investment in year</b>			
- capital receipts utilised	8,494		23,217
- capital receipts utilised City Area			411
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	774		683
		<b>9,268</b>	<b>24,311</b>
<b>Movement in Year</b>		<b>3,016</b>	<b>18,327</b>
<b>Balance at 1 April</b>		<b>(3,016)</b>	<b>(21,343)</b>
<b>Balance at 31 March</b>		<b>0</b>	<b>(3,016)</b>

**Note 53 Trust Funds**

The Council administers a Trust Fund related to specific services. The majority of the funds are invested externally and the balance is invested with the Authority. The trust funds were brought forward as below:

	2010/2011 £000	2009/2010 £000
Charity of William Llewellyn Palmer	1,422	1,431
Withy Trust	229	227
Edwin Young Collection	373	359
John Creasey Museum	157	171
William 'Doc' Couch	4,185	4,058
Westbury Public Baths	651	665
King George V Playing Field	286	291
Other Miscellaneous Funds	258	266
	<b>7,561</b>	<b>7,468</b>

A breakdown of the movements in year is included in the following table:

	Balance 31 March 2011 £000	Income £000	Loss on expenditure £000	Balance revaluation £000	Balance 31 March 2010 £000
Charity of William Llewellyn Palmer	1,422	48	(40)	(17)	1,431
Withy Trust	229	7	(7)	2	227
Edwin Young Collection	373	20	(12)	6	359
John Creasey Museum	157	22	(19)	(17)	171
William 'Doc' Couch	4,185	122	(121)	126	4,058
Westbury Public Baths	651	97	(111)	0	665
King George V Playing Field	286	32	(38)	1	291
Other Miscellaneous Funds	258	13	(9)	(12)	266
	<b>7,561</b>	<b>361</b>	<b>(357)</b>	<b>89</b>	<b>7,468</b>

The Trust Fund Assets were valued at 31 March 2011 and the external investments were:

Trust Fund Assets	Market	Market
	Value	Value
	31 March 2011	31 March 2010
	£000	£000
Government Fixed Interest	1	1
Managed Funds - Bonds	1,162	1,239
Managed Funds - Equities	4,225	4,087
Property	1,482	1,426
Cash	360	293
Hedge Funds	271	353
Debtors/(Creditors)	44	24
Other	16	45
	<b>7,561</b>	<b>7,468</b>

#### Note 54 Long Term Debtors

	2010/2011	2009/2010
	Wiltshire	Wiltshire
	Council	Council
	£000	£000
Mortgages	1,492	1,602
Long Term Loans to Staff	34	53
Other Long Term Loans	853	977
Total Long Term Debtors	<b>2,379</b>	<b>2,632</b>

#### Note 55 Long Term Borrowing

An analysis of loans by maturity is as follows:

	2010/2011	2009/2010
	Wiltshire	Wiltshire
	Council	Council
	£000	£000
Maturing within 1 year	(2,192)	(1,040)
Maturing in 1 to 2 years	(16)	(15)
Maturing in 2 to 5 years	(24,049)	(2,057)
Maturing in 5 to 10 years	(22,000)	(4,031)
Maturing in more than 10 years	(198,940)	(199,767)
Total Maturing over 1 year	<b>(245,005)</b>	<b>(205,870)</b>
Total Long Term Loans	<b>(247,197)</b>	<b>(206,910)</b>

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

	2010/2011	2009/2010
	Wiltshire	Wiltshire
	Council	Council
	£000	£000
Total outstanding at 31st March		
Lenders		
Public Works Loans Board	(185,299)	(145,099)
Money Market	(61,898)	(61,811)
	<b>(247,197)</b>	<b>(206,910)</b>

**Note 56 Major Repairs Reserve**

The Accounts and Audit Regulations require housing authorities to set up a Major Repairs Reserve and to transfer into it a sum not less than the Major Repairs Allowance. These funds are then available to authorities for capital expenditure on Housing Revenue Account assets. The Major Repairs Allowance is an element of the HRA subsidy.

	2010/2011 Wiltshire Council £000	2009/2010 Wiltshire Council £000
Transfer to Capital	2,994	4,432
Additional resources	0	(491)
HRA Depreciation	(8,444)	(8,479)
Transfer to HRA	4,939	5,050
Movement in Year	(511)	512
<b>Balance at 1 April</b>	<b>(632)</b>	<b>(1,144)</b>
<b>Balance at 31 March</b>	<b>(1,143)</b>	<b>(632)</b>

**Note 57 Fair Value**

The fair values of the financial assets are shown below, which comprise long and short term investments and 'trade' debtors. Long term investments represent the anticipated repayments due in more than one year from the Council's outstanding Icelandic investments, based on the latest information available. Short term investments include anticipated repayments due in less than one year from the Council's outstanding Icelandic investments based on the latest information available. They are calculated using a net present value approach, which provides an estimate of the value of receipts in the future in today's terms, including accrued interest less impairment.

The HSBC overnight account has been removed from the short term investment line and added to cash and cash equivalents. This means for 2010/11 £400k has been moved. This is in line with latest guidance in this area from CIPFA and SECTOR as these sums are readily convertible to cash, and have little likelihood for a change in value. Other short term money market funds do not meet this criteria so continue to be recognised as Short Term investments.

Class	Fair Value	Carrying Amount
Long Term Investments	3,043,094	3,043,094
Short Term Investments	78,786,893	78,754,796
<b>Total Investments</b>	<b>81,829,987</b>	<b>81,797,890</b>
Trade Debtors		
<b>Total Financial Assets</b>	<b>81,829,987</b>	<b>81,797,890</b>

Fair values for each class of financial liabilities are shown below.

Market loans (Lender Option Borrower Options - LOBOs) are valued using a net present value approach, which provides an estimate of the value of payments in the future in today's terms, at discount rates obtained from the market on 31st March 2011, using bid prices where applicable, and include accrued interest.

The Council's main debt liability is with the Public Works Loan Board (PWLB), which is valued, in accordance with the Code of Practice (COP) 2010, at the PWLB's new borrowing rate as at 31 March 2011. There is an alternative valuation, as used by PWLB, being the premature repayment rate, which results in a different fair value. COP Guidance Notes confirm that it is acceptable to use either or both rates for the fair value reported in the notes to the accounts. The alternative valuation has also been included below.

Class	Fair Value	Carrying Amount
Market Loans	67,156,341	61,897,584
PWLB Loans	168,754,430*	185,300,351
<b>Total Value</b>	<b>235,910,771</b>	<b>247,197,935</b>
Trade Creditors		
Bank Overdraft		
<b>Total Financial Liabilities</b>	<b>235,910,771</b>	<b>247,197,935</b>

\*PWLB have produced a fair value figure of loans outstanding based on a premature repayment rate, which is £195,422,941.

The effect on the fair value of a 1% increase in market interest rates would be:

Investments/Loans	Fair Value (at Discount/ Market Rate plus 1%)
Long Term Investments	3,043,094
Short term Investments	78,737,584
<b>Total Investments Value</b>	<b>81,780,678</b>
Trade Debtors	
<b>Total Financial Assets</b>	<b>81,780,678</b>
Market Loans	60,959,415
PWLB Loans	150,371,266
<b>Total Loans Value</b>	<b>211,330,681</b>
Trade Creditors	
Bank Overdraft	
<b>Total Financial Liabilities</b>	<b>211,330,681</b>

In terms of loans, this results in a lower fair value because of the effect on premiums and discounts that would be payable/receivable as a result of the early repayment of debt (i.e. at 31 March 2011). Where there is an increase in the discount rates this will increase discounts receivable and reduce premiums payable on early repayment of loans.

#### Note 58 Impairment of Investments

Early in October 2008, the Icelandic Banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries Heritable and Kaupthing Singer went into administration. The Council had deposited £12 million with two of the Icelandic Banks, £9 million with the UK subsidiary, Heritable and £3 million with the Icelandic parent bank, Landsbanki. Since the previous financial years financial statements, to 31 March 2011, the Council has received three interim dividends from the administrators of Heritable bank, bringing the total repayments to over £4.5 million (no repayments have yet been received from Landsbanki and the investments are, along with all other deposits, subject to the outcome of ongoing legal proceedings). The Icelandic investments are shown in the accounts, at their impaired values, under various maturity dates as follows:

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Repayments	Impairment
Heritable Bank (1)	24/09/2008	07/10/2008	3,000,000	6.00%	1,001,810	1,503,220	494,970
Heritable Bank (2)	24/09/2008	14/10/2008	3,000,000	6.00%	1,001,810	1,503,220	494,970
Heritable Bank (3)	25/09/2008	28/10/2008	2,000,000	6.00%	667,764	1,002,147	330,090
Heritable Bank (4)	07/09/2008	10/10/2008	1,000,000	5.42%	336,541	501,073	162,386
Landsbanki	04/06/2008	02/03/2009	3,000,000	6.10%	2,409,448	0	590,552

The impairment has been adjusted in 2010/11 to reflect the latest available information from the relevant administrators, the Local Government Association and CIPFA as outlined below. The available information in respect of timings and payments to be made by the administrator is not definitive and it is likely that further adjustments will be made to the accounts in future years.

### Heritable Bank

Heritable bank was a UK registered bank under English law. The company was placed in administration on 7 October 2008. Since the previous year's financial statements the Council has received three interim dividends of principal totalling £1,361,590, bringing the total dividend paid to date to approximately 50% of the claim. In view of this information the LAAP recommends that the following payment schedule is used to estimate the recoverable amount at 31 March 2011. The schedule is based on expected total dividends of 84.98% of the claim. Taking this into account, the following assumptions have been made in respect of the timing of recoveries:

Date	Repayment	Date	Repayment
April 2011	6.25%	July 2012	5.00%
July 2011	5.00%	October 2012	5.00%
October 2011	5.00%		
January 2012	5.00%		
April 2012	5.00%		

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of expected repayments, discounted at the investment's original interest rate. The LAAP recommends that the following repayment schedule is used to estimate the recoverable amount at 31 March 2011:

Date	Repayment Percentage	(1)	(2)	(3)	(4)
April 2011	6.25%	187,870	187,870	125,226	62,834
July 2011	5.00%	150,296	150,296	100,181	50,267
October 2011	5.00%	150,296	150,296	100,181	50,267
January 2012	5.00%	150,296	150,296	100,181	50,267
April 2012	5.00%	150,296	150,296	100,181	50,267
July 2012	5.00%	150,296	150,296	100,181	50,267
October 2012	3.65%	109,716	109,716	73,132	36,695

### Landsbanki Islands hf

Landsbanki was an Icelandic bank, placed into administration on 7 October 2008. The Council has yet to receive any repayments, the outstanding deposits being subject to ongoing legal proceedings through the Icelandic Supreme Court, as a result of appeals lodged relating to the Reykjavik District Court decision that local authority (and other) deposits have priority status. It is expected that priority status will be confirmed following the litigation process and the Council has, therefore, treated the deposits with Landsbanki as having priority status in relation to the projected repayments below, under the terms of the District Court decision. Taking this into account, the following assumptions have been made in respect of the timing of recoveries:

Date	Repayment	Date	Repayment
December 2011	22.17%	December 2015	8.87%
December 2012	8.87%	December 2016	8.87%
December 2013	8.87%	December 2017	8.87%
December 2014	8.87%	December 2018	19.47%

The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of expected repayments, discounted at the investment's original interest rate. The LAAP recommends that the following repayment schedule is used to estimate the recoverable amount at 31 March 2011:

Date	Repayment Percentage	
December 2011	22.17%	715,647
December 2012	8.87%	286,259
December 2013	8.87%	286,259
December 2014	8.87%	286,259
December 2015	8.87%	286,259
December 2016	8.87%	286,259
December 2017	8.87%	286,259
December 2018	19.47%	628,621

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited in 2010/2011	Received in 2010/2011
Heritable Bank (1)	71,958	0
Heritable Bank (2)	71,958	0
Heritable Bank (3)	47,964	0
Heritable Bank (4)	21,876	0
Landsbanki	143,678	0

#### Note 59 Financial Instrument Adjustment Account (FIAA)

Regulations issued in March 2009 allowed the Authority not to charge amounts relating to impaired investments to the General Fund. Such amounts were instead transferred to the Financial Instruments Adjustment Account (FIAA), an account that recorded the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with regulations. The regulations, however, only allowed this treatment up to 31 March 2011, at which date the balance in the FIAA relating to impairment of Icelandic deposits is required to be transferred to the General Fund Balance. On this basis, the following amounts have been transferred to the General Fund Balance as at 31 March 2011:

Bank	Amount Transferred to the General Fund Balance
Heritable Bank (1)	494,970
Heritable Bank (2)	494,970
Heritable Bank (3)	330,089
Heritable Bank (4)	162,386
Landsbanki	590,552

Under the regulations, the Authority must transfer the balance, relating to the impairment, on the Financial Instruments Adjustment Account to the General Fund no later than 31st March 2011 and must also credit the account with interest earned until such time as the balance has been transferred to the General Fund. There will, therefore, be no further credits made to the FIAA in this respect, future years interest earned will instead be credited directly to the Comprehensive Income and Expenditure Statement.

## Housing Revenue Account

This account records the transactions relating to the Council's housing stock. The Local Government and Housing Act 1989 requires its separation to give a clear picture of the cost of providing homes for council tenants. Housing Revenue Account income and expenditure does not affect the amount of Council Tax levied.

	NOTE	2010/2011		2009/2010	
		£000	£000	£000	£000
<b>Income</b>					
Rents (gross):					
- dwellings		(20,633)		(20,380)	
- garages		(339)		(356)	
- other		(268)	(21,240)	(116)	(20,852)
Charges for services and facilities			(799)		(924)
Decreased provision for bad debts			(70)		0
<b>Total Income</b>			<b>(22,109)</b>		<b>(21,776)</b>
<b>Expenditure</b>					
Repairs and Maintenance			4,328		4,624
Supervision and Management:					
- general		1,881		2,587	
- special services		1,229	3,110	1,359	3,946
Rent rebates			98		55
Negative Subsidy payment to Secretary of State	5		7,461		7,502
Increased provision for bad debts			0		49
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	21,253		8,258	
- On garages	3	148		148	
- On other Assets	3	45		73	
			21,446		8,479
<b>Total Expenditure</b>			<b>36,443</b>		<b>24,655</b>
<b>Net Cost Of Services per Income &amp; Expenditure Account</b>			<b>14,334</b>		<b>2,879</b>
HRA Services share of Corporate and Democratic Core			321		321
<b>Net Cost Of HRA Services</b>			<b>14,655</b>		<b>3,200</b>
(Gain)/Loss on sale of HRA fixed assets			(684)		(372)
Interest Payable			134		145
Pensions interest costs and expected return on assets			0		0
Amortised Premiums and Discounts			0		0
Interest:					
- on mortgages		(51)		(59)	
- on balances		(80)	(131)	(79)	(138)
<b>Deficit for the Year on HRA services</b>			<b>13,974</b>		<b>2,835</b>

## Statement of Movement on the HRA Balances

	2010/2011 £000	2009/2010 £000
Balance on HRA at the end of previous year	(12,746)	(10,942)
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	13,974	2,835
Adjustments between accounting basis and funding basis under statute	(14,578)	(4,639)
<b>Net increase/ (decrease) before transfers to/ from reserves</b>	<b>(604)</b>	<b>(12,746)</b>
Transfer to/ from reserves	14	0
<b>Net increase/ (decrease) in year on HRA</b>	<b>(590)</b>	<b>(12,746)</b>
<b>Balance on HRA at the end of current year</b>	<b>(13,336)</b>	<b>(12,746)</b>

## Note to Statement of Movement on the HRA Balances

	2010/2011 £000	2009/2010 £000
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year</b>		
Gain/(Loss) on sale of HRA fixed assets	684	372
Financing from Depreciation	0	0
Impairments of Fixed Assets	(13,002)	0
<b>Items not included in the HRA Income and Expenditure Account but included from the movement on HRA balance for the year</b>		
Transfer to/From Major Repairs Reserve <b>note 5</b>	(4,939)	(5,050)
Transfer to/from Pension Reserve <b>note 7</b>	1,208	39
Transfer to/from accumulated absences	2	
Transfer to/from Earmarked Reserves		0
Revenue Contributions to Capital Expenditure	1,469	0
<b>Net Additional amount required by statute to be credited to the HRA balance for the year</b>	<b>(14,578)</b>	<b>(4,639)</b>

## Housing Revenue Account Notes

## 1 Housing Stock

Houses and Bungalows	31 March 2011	31 March 2010
- 1 bedroom	377	377
- 2 bedrooms	1,565	1,566
- 3 bedrooms	1,880	1,887
- 4+ bedrooms	143	143
<b>Flats</b>		
- 1 bedroom	813	814
- 2 bedrooms	546	547
- 3+ bedrooms	38	38
<b>Total dwellings as at 31 March</b>	<b>5,362</b>	<b>5,372</b>

During the year, the council received £748,750 capital receipts in respect of HRA disposals. This was received from the disposal of 10 council houses under the right to buy scheme. In addition to the assets listed above the council is in the process of building a number of new properties under its Council House New Build scheme. These additional properties will be incorporated into the stock figures for 2011/2012 once the new properties are all completed.

**2 Arrears**

The year end position regarding arrears owed to the HRA was:

	31 March 2011 £000	31 March 2010 £000
Rent arrears	698	771
less rent payments in advance	(342)	(212)
less bad debt provision	(663)	(732)
<b>Net arrears position</b>	<b>(307)</b>	<b>(173)</b>

**3 Movement of Housing Revenue Account Assets**

	Council Dwellings (Structures) £000	Council Dwellings (Services) £000	Other Property (Garages) £000	Other Equipment £000	Total £000
Net Book Value 1 April 2010	239,265	0	4,306	70	243,641
Additions in Year	3,296	0	0	0	3,296
Disposals	(3,353)	0	0	0	(3,353)
Revaluations	0	0	0	0	0
Depreciation	(8,251)	0	(148)	(45)	(8,444)
Impairments	(13,002)	0	0	0	(13,002)
Category Adjustments	(63,207)	63,207	0	0	0
<b>Balance at 31 March 2011</b>	<b>154,748</b>	<b>63,207</b>	<b>4,158</b>	<b>25</b>	<b>222,138</b>

The Balance Sheet value of Council Dwellings (structures and services) as at 31 March 2011 was £217,956,505. This represents the valuation at existing use for social housing which is the value of the properties with a secured tenant continuing to live in the property paying social rents rather than market rents.

The Vacant Possession value of the properties at 31 March 2011 was £703,085,500. This represents the value of the houses if the property were sold without a secured tenant continuing in the property. Therefore it could be rented out at market rent so has a higher value.

The difference between the Vacant Possession value and the Balance Sheet value of dwellings within the HRA shows the Economic Cost of providing Council Housing at less than open market rents. The Economic Cost of the properties at 31 March 2011 was £485,128,995.

The value of land valued in the HRA is nil.

#### 4 Financing of HRA capital expenditure

	2010/2011 £000
Grants	1,645
Borrowing	1,294
Revenue and Reserves	1,469
Other receipts (MRR)	2,994
	<b>7,402</b>
Council Dwellings	3,296
Plant & Equipment	0
Asset under Construction	4,106
	<b>7,402</b>

#### Major Repairs Reserve

	2010/2011 £000	2009/2010 £000
Brought forward at 1 April	(632)	(1,144)
Transfer to Capital	2,994	4,432
Additional Resources	0	(491)
HRA Depreciation	(8,444)	(8,479)
Transfer to HRA	4,939	5,050
Carried forward at 31 March	<b>(1,143)</b>	<b>(632)</b>

#### 5 Breakdown of HRA Subsidy

	2010/2011 £000
Management & Maintenance Allowance	8,005
Major Repairs Allowance	3,505
ASB Allowance	
Charges for Capital	156
Rent	(19,069)
Interest on Receipts	(58)
Housing Element	(7,461)
Rent Rebates	(98)
HRA Subsidy Due	(7,559)
Adjustment in respect of prior years	
HRA Subsidy Due	(7,559)
Defects Subsidy	
HRA Subsidy receivable (including MRA)	(7,559)

#### 6 Contribution to Pension Reserve

The HRA bears a share of the pension contribution due to the FRS 17 adjustment in proportion to the payments made during the year. See note 47 to the Core Financial Statements for more information on accounting for retirement benefits

## The Collection Fund

The Collection Fund is a statutory fund. It covers Council Tax and Non-Domestic Rate collection and the precepts of Wiltshire Council, Wiltshire Police Authority, Wiltshire & Swindon Fire Authority and Parish Councils.

This statement relates to only acquired services, so no comparison figures are shown.

	NOTE	2010/2011		2009/2010	
		£000	£000	£000	£000
<b>Income</b>					
Income from Council Tax	1		(245,172)		(237,769)
Transferred from General Fund					
Council Tax Benefits			(26,389)		(24,824)
Transitional Relief			(3)		4
Income from Business Rates	2		(123,949)		(118,258)
			<u>(395,513)</u>		<u>(380,847)</u>
<b>Disbursement</b>					
Precepts and Demands					
- Wiltshire Council		217,763		211,592	
- Wiltshire Police Authority		28,105		27,022	
- Wiltshire & Swindon Fire Authority		11,112		10,726	
- Town/ Parish Councils		12,360		11,879	
			269,340		261,219
Share of surplus/(deficit) on Collection Fund					
- Wiltshire Council		802		538	
- Wiltshire Police Authority		102		63	
- Wiltshire & Swindon Fire Authority		41		25	
			945		626
NNDR					
- payment to national pool	2	123,149		117,420	
- cost of collection allowance	2	626	123,775	689	118,109
Provisions for Bad Debts			286		301
Write Offs - Council Tax			304		575
Write Offs - NNDR			174		149
Fund surplus/(deficit) for the year			689		(132)
			<u>395,513</u>		<u>380,847</u>
Fund balance b/f			(774)		(906)
(Surplus)/deficit for year			(689)		132
Fund balance c/f	5		<u>(1,463)</u>		<u>(774)</u>

## Notes to the Collection Fund

### 1 Council Tax

Council Tax is charged according to the Government's valuation of residential properties as at 1 April 1991. Valuations are stratified into eight bands for charging purposes. Individual charges are calculated by estimating the total amount of income required by the Collection Fund's preceptors and dividing this by the Council Tax base. The tax base is the total number of chargeable properties in all valuation bands converted to an equivalent number of band D dwellings, with an allowance made for discounts and exemptions.

The average amount of Council Tax required from a property in any tax band is the band D charge, average for Wiltshire Council was £1,511.96 for 2010/2011 multiplied by the ratio specified for that band. Ratios specified for the bands A to H are as follows:

<b>Band</b>	<b>Estimated No. of Taxable Properties after discounts</b>	<b>Band D Equivalent Dwellings</b>	<b>Ratio</b>
Band A Disabled	48	26	5/9
Band A	18,318	12,213	6/9
	<u>18,366</u>	<u>12,239</u>	
Band B	32,461	25,247	7/9
Band C	42,769	38,017	8/9
Band D	30,612	30,612	9/9
Band E	23,568	28,806	11/9
Band F	14,467	20,897	13/9
Band G	9,365	15,609	15/9
Band H	1,035	2,070	18/9
		<u>173,497</u>	
Add adjustment for contributions in lieu, new properties and bad debts		4,643	
<b>Council Tax Base 2010/2011</b>		<u><u>178,140</u></u>	

### 2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2011 was £356,147,359. The national non domestic multiplier for the year was 41.4p and for the small business rates relief multiplier was 40.7p.

### 3 Collection Fund Surpluses and Deficiencies

Collection Fund surpluses and deficiencies (Council Tax) are shared by all preceptors.

### 4 Precepts and Demands

<b>Main Preceptors</b>	<b>2010/2011 Precepts</b>	<b>Share of Council Tax Surplus</b>
Wiltshire Council	217,763	802.00
Wiltshire Police Authority	28,105	102.00
Wiltshire Fire Authority	11,112	41.00
Town/Parish	12,360	0.00
	<u>269,340</u>	<u>945.00</u>

**5 Collection Fund Balance**

The Council has to record transactions for Council Tax and Business Rates in the Collection Fund Account. The balance, as usable income, will be paid to the Council and its major preceptors in future years.

	<b>31 March 2011</b>
	<b>£000</b>
Wiltshire Council	(1,249)
Wiltshire Police Authority	(154)
Wiltshire Fire Authority	(60)
	<b><u>(1,463)</u></b>

## Glossary

For the purposes of compiling the Statement of Accounts, the following definitions have been adopted and may be useful to the reader in understanding terminology used in the statement.

### **Accounting Code of Practice (ACOP)**

Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

### **Accruals**

The recognition of income and expenditure as it falls due, not when cash is received or paid.

### **Amortisation**

The writing down of the value of intangible fixed assets in line with its programmed useful life.

### **Assets**

These can be either:

- **Intangible assets** – assets which are non-physical in form, that is, which cannot be seen. Examples are patents, goodwill, trademarks and copyrights;
- **Fixed assets** – tangible assets that give benefits to the authority for more than one year;
- **Community assets** – assets without determinate life that the authority intends to hold in perpetuity. They may have restrictions on their disposal. Examples include parks and historic buildings;
- **Infrastructure assets** – inalienable fixed assets such as highways and footways;
- **Non-operational assets** – fixed assets not directly used for service provision. Examples include surplus land and buildings awaiting sale or further development.

### **Balance Sheet**

A summary of all the assets, liabilities, funds, reserves etc.

### **Best Value**

The Council duty to provide effective and efficient services based on community need and desire.

### **Best Value Accounting Code of Practice (BVACOP)**

Established to modernise the system of Local Authority accounting and reporting, and ensure that it meets the changed and changing needs of modern Local Government; particularly the duty to secure and demonstrate best value in the provision of services to the community.

### **Budget**

The Council's financial plans for the year. Both capital and revenue budgets are prepared and, amongst other things, used as performance measures.

### **Capital Expenditure**

Substantial expenditure producing benefit to the authority for more than one year.

### **Capital Receipts**

The proceeds of the disposal of assets, non-approved investments and the repayment of grants made by the authority.

### **Cashflow Statement**

A summary of the inflows and outflows of cash with third parties for revenue and capital purposes.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy. This is the institute of professional local government accountants and produces standards and codes of practice followed in the production of an authority's accounts.

**Code of Practice**

Issued by CIPFA, this is a code of proper accounting practice with which Local Authorities in England and Wales must comply in preparing their financial statements.

**Comprehensive Income and Expenditure Statement (CI&ES)**

This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Authority.

**Creditors**

Money owed by the authority to others.

**Debtors**

Money owed to the authority by others.

**Dedicated Schools Grant (DSG)**

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

**Depreciation**

The writing down of the value of tangible fixed assets in line with its programmed useful life.

**Employee Costs**

Pay and associated costs such as national insurance, pension contributions etc.

**Exceptional Items**

Items that, although usual to the activities of the authority, by their nature need separate disclosure because of their unusual size or incidence.

**Extraordinary Items**

Material items needing separate disclosure because they are unusual to the activities of the authority by their nature.

**General Fund**

The main revenue fund of the authority which shows income from and expenditure on the Council's day to day activities. It excludes the provision of housing which must be charged to a separate Housing Revenue Account.

**Government Grants**

The amounts of money the authority receives from the Government and inter-government agencies to help fund both general and specific activities.

**Government Grants Deferred**

Capital grants which are credited to the balance sheet and amortised to revenue over the life of the relevant asset to offset provisions made for depreciation.

**Gross Expenditure**

Expenditure before deducting any related income.

**Housing Revenue Account (HRA)**

The account which sets out the expenditure and income on the provision of housing. Other services are charged to the General Fund.

**Impairment**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

**IFRSs**

International Financial Reporting Standards issued by the Accounting Standards Board requiring information to be shown in accounts.

**Leases**

These may be finance leases that transfer the risks and rewards of ownership of an asset to the authority. Alternatively, they may be operating leases that are more akin to a hire agreement.

**Liabilities**

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

**Long Term Contracts**

A contract that, once entered into, will take longer than the current period of account to complete.

**Minimum Revenue Provision (MRP)**

Statute requires revenue accounts to be charged with a Prudent Minimum Revenue Provision as a notional redemption cost of all external loans.

**Major Repairs Allowance (MRA)**

Funded by Central Government. It represents the long term average amount of capital spending required to maintain a Local Authority's housing stock in its current condition.

**Net Expenditure**

Gross expenditure less directly related income.

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

Wiltshire Council collects National Non-Domestic Rates from local businesses and organisations and pays them into the Government's central NNDR pool. The amount charged is the Government's national uniform rate and it is then redistributed to local authorities, including Wiltshire Council, in line with a population-based formula.

**Precept**

The amount of income demanded of the Collection Fund by an authority entitled to that income.

**Preceptor**

An authority entitled to demand money of the Collection Fund. The preceptors on Wiltshire District Council's Collection Fund are the Council itself (including City Area Special Levy), Wiltshire County Council, Wiltshire Police Authority, Wiltshire & Swindon Fire Authority and Parish Councils.

**Private Financing 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.

**Provision for Credit Liabilities (PCL)**

Statute requires the Council to set aside provision to repay external loans and other credit transactions. Debt-free authorities do not have to apply the whole of the balance shown within the Capital Financing Reserve.

**Provisions**

Amounts held in reserve against specific potential liabilities or losses where there is uncertainty as to amounts and/or due dates. Payment to a provision is counted as service expenditure.

**Rateable Value**

Assessment by the Inland Revenue of a property's value from which rates payable are calculated.

**Reserves**

Amounts prudently held to cover potential liabilities. Payments to reserves are not counted as service expenditure.

**Revaluation Reserve**

A capital reserve where changes in the value of fixed assets are disclosed when they are revalued. This reserve replaces the Fixed Asset Restatement Account (FARA) which was previously required.

**Revenue Expenditure**

Day to day running costs of services.

**Revenue Income**

Day to day income received for services.

**Revenue Support Grant**

A Government grant paid towards the cost of General Fund services.

**Running Expenses**

The cost of running a service less employee expenses and capital charges.

**Statement of Recommended Practice (SORP)**

The Code of Practice on Local Authority accounting in the UK. It sets out the proper accounting practices required to prepare a Statement of Accounts by the Local Government Act 2003.

**Useable Capital Receipts Reserve**

This reserve holds the amounts of capital receipts derived from the disposal of fixed assets until such a time that they are used to finance capital expenditure.

**Useful Life**

The anticipated period that an asset will continue to be of benefit.

**Value Added Tax (VAT)**

An indirect tax levied on vatable goods and services.