

AGENDA

Meeting: Audit
Place: Committee Room III, County Hall, Trowbridge
Date: Thursday 30 September 2010
Time: 2.00 pm

Please direct any enquiries on this Agenda to Anna Thurman of Democratic Services, County Hall, Trowbridge, direct line (01225) 718379 or email anna.thurman@wiltshire.gov.uk

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Press enquiries to Communications on direct lines (01225) 713114 / 713115

Membership:

Cllr Richard Britton
Cllr Nigel Carter
Cllr Chris Caswill
Cllr Peter Doyle
Cllr George Jeans
Cllr David Jenkins
Cllr Julian Johnson

Cllr Alan Macrae
Cllr Jemima Milton
Cllr Helen Osborn
Cllr Sheila Parker (Vice Chairman)
Cllr Bridget Wayman
Cllr Roy While (Chairman)

Non-Voting Members
Cllr Fleur de Rhe-Philippe

Cllr Jane Scott OBE

Substitutes
Cllr Ernie Clark
Cllr Peter Colmer
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mollie Groom

Cllr Malcolm Hewson
Cllr Jacqui Lay
Cllr Francis Morland
Cllr Jeff Osborn

Part I

Items to be considered while the meeting is open to the public

1. **Apologies**

2. **Chairman's Announcements**

To receive the Chairman's announcements.

3. **Minutes of the Previous Meeting** (*Pages 1 - 8*)

To confirm and sign the minutes of the Audit Committee meeting held on 30 June 2010 (copy attached).

4. **Members' Interests**

To receive any declarations of personal or prejudicial interests or dispensations granted by the Standards Committee.

5. **Urgent Items**

Any other items of business, which the Chairman agrees to consider as a matter of urgency.

6. **Public Participation**

The Council welcomes contributions from members of the public.

If you would like to make a statement at this meeting on any item on this agenda, please register to do so at least 10 minutes prior to the meeting. Up to 3 speakers are permitted to speak for up to 3 minutes each on any agenda item. Please contact the officer named above for any further clarification.

Members of the public wishing to ask a question should give written notice (including details of any question) to the officer named above by **12.00 noon on Tuesday 28 September 2010**.

7. **Report to those Charged with Governance** (*Pages 9 - 42*)

A report by the External Auditors KPMG is attached.

8. **Annual Statement of Accounts** (*Pages 43 - 136*)

A report by the Interim Chief Accountant (Acting Section 151 Officer) is attached.

9. Risk Management Update (Pages 137 - 144)

A report by Service Director Performance is attached.

10. Internal Audit Progress Report 2010-11 (Pages 145 - 172)

A report by the Interim Chief Accountant (Acting Section 151 Officer) is attached.

11. Internal Audit Bench Marking Report (Pages 173 - 178)

A report by the Interim Chief Accountant (Acting Section 151 Officer) is attached.

12. Annual Governance Statement (Pages 179 - 206)

A report by the Monitoring Officer is attached.

13. Forward Work Programme (Pages 207 - 208)

To note the Forward Work Programme

14. Date of next meeting

To note that the next regular meeting of the Committee will be held on 15 December 2010

Part II

Items during whose consideration it is recommended that the public should be excluded because of the likelihood that exempt information would be disclosed

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AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 30 JUNE 2010 AT COMMITTEE ROOM III, COUNTY HALL, TROWBRIDGE.

Present:

Cllr Richard Britton, Cllr Nigel Carter, Cllr Chris Caswill, Cllr Peter Doyle, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Alan Macrae, Cllr Jeff Osborn (Reserve), Cllr Sheila Parker (Vice Chairman) and Cllr Roy While (Chairman)

Also Present:

Cllr Fleur de Rhe-Philippe and Cllr Jane Scott OBE

67. Apologies and Membership Changes

Apologies for absence were received from Councillors Jemima Milton and Bridget Wayman. Councillor Helen Osborn was substituted by Councillor Jeff Osborn.

68. Chairman's Announcements

The Chairman drew member's attention to the pre-circulated CIPFA statement on the Role of the Head on Internal Audit.

69. Minutes of the Previous Meeting

The minutes of the last meeting held on the 24 March 2010 were presented.

Resolved

To approve as a correct record and sign the minutes of the minutes of the meeting held 24 March 2010.

Councillors asked for an update on Minute 66 - Audit of Non-Pensionable Honoraria. The Monitoring Officer, explained that two severance payments were being pursued and he agreed to write to members of the Committee once there were any significant developments to report.

70. Members' Interests

Agenda item 9 – Wiltshire Council: Draft Set of Annual Accounts 2009 – 10. Councillor Peter Doyle expressed a personal interest in this item, as the Draft Accounts show a payment to Wootton Bassett Town Council, of which he is a member.

Agenda item 12 – Internal Audit Progress Report 2010 – 11. Councillor Peter Doyle expressed a personal interest in this item, as he has been appointed a non-executive director of Sarsen Housing Association, which is involved in the West Wilts PFI.

71. **Public Participation**

The Chairman explained that he would be happy to allow the public to speak at the start of each item should they wish to do so. There were no questions from members of the public and no speakers at the meeting.

There was no public participation.

72. **KPMG: Interim Audit on 2009/10 Financial Year**

The Chief Finance Officer, introduced the report that identified a range of issues for which significant management action had been identified. The Senior Manager from the external auditors KPMG gave a progress report on Interim Audit on 2009/10 Financial Year drawing the Committees attention to the most salient points of the KPMG report.

- A number of issues had been raised as a result of the unprecedented change over the last year. Significant change had taken place due to implementation of the Unitary Council, changes in the IT environment and key financial systems.
- The overall message stressed the importance of the Council developing an appropriate and timely response to the recommendations of the report.

The issues identified this year in conjunction with the scale of change being undertaken have been recognised. Mitigating action has been implemented and the Chief Finance Officer reassured the Committee that he was confident that the organisation was taking responsibility through action plans.

The Corporate Director - Resources, addressed the Committee reiterating the huge undertaking that had taken place to bring five Councils into one coupled with the implementation of the SAP system. He stressed that savings were being delivered within frontline services and that the 'big bang' approach had worked. The vast majority of issues highlighted within the report had been addressed and those that had not would be looked at in the next four to six weeks.

After a lengthy debate during which members raised concerns seeking explanations and reassurances over a number of issues it was,

Resolved

- a) **That the outcomes contained within the Interim Report be noted.**
- b) **That mitigating action being undertaken be noted.**
- c) **That a paper is brought to Audit and the Budget and Performance Task Group addressing the cultural issues surrounding the use of SAP.**
- d) **The Head of Internal Audit to circulate to Members details of duplicate payments and consequent mitigating management action.**

73. **Annual Audit Fee 2010/11**

The Senior Manager from KPMG, the Councils external auditors explained the main proposals contained within the 2010/11 Annual Audit Fee (£410,094) those being:

- A risk based approach to audit planning as set out in the Code of Audit Practice and Work mandated by the Audit Commission.
- Reflecting only the work undertaken by KPMG any inspection and assessment fees being charged separately by the Audit Commission.

Resolved

That the Annual Audit Fee for 2010/11 be noted.

74. **KPMG: Data Migration Audit**

The Senior Manager from KPMG presented his report on the Data Migration Audit.

Resolved

- a) **That the report be noted.**
- b) **That a Comprehensive Post Implementation Review is undertaken, and the results brought to the September Audit Committee Meeting.**

75. **Wiltshire Council: Draft Set of Annual Accounts 2009-10**

The Chief Financial Officer presented the draft Statement of Accounts in respect of the 2009/10 financial year for Wiltshire Council. The completed set of accounts will be submitted to the Committee on 30 September 2010.

The accounts were reviewed and queries were raised by the Committee.

It was noted that the Reconciliation of Income and Expenditure Account contained the term 'Accounting Deficit' and this was a technical deficit encompassing issues including depreciation and pension adjustments. The Chief Finance Officer stated that he would prepare a report for the next Audit Committee to explain how the accounts were prepared.

Resolved

- a) **That the draft accounts for 2009-10 be noted.**
- b) **The Chief Finance Officer to prepare report for the next Audit Committee to accompany the accounts.**

76. **Internal Audit Annual Report 2009-10**

The Head of Internal Audit presented the first Internal Audit Annual Report 2010-11 for Wiltshire Council. In doing so he advised Members that this report contained considerable data, and drew the Members attention to the recently circulated CIPFA document on the role of the Head of Internal Audit in public service organisations. It was noted that information for comparisons with other similar Councils was not available. Currently a benchmarking exercise is underway and results of this will be brought to the September Committee meeting.

A range of audits were carried out across all service departments based on risks and issues identified at the start of the year and were incorporated into the audit plan. Action plans have been agreed with management which will enable to address and manage the risks indentified. Additional audit work has also been undertaken, of note the work surrounding Anti Fraud and Corruption and the National Fraud Initiative. Investigative work highlighted a number risks which are being pursued.

It was noted that there was a lot of work being undertaken and that the Internal Audit team were providing 'good value for money'. Members expressed concern that there appeared to be no plan to move forward, a systems plan. The Chief Finance Office acknowledged this but stressed that the way forward should come out of the post SAP Implementation analysis.

Resolved

- a) **That the report be noted.**
- b) **That the bench marking Report be brought to the September Committee meeting.**

77. **Internal Audit Plan 2010-11**

Consideration was given to the report by the Head of Internal Audit which presented the Internal Audit Plan 2009-10.

Members expressed a wish for a more informal Seminar to enhance their knowledge and understanding of the Audit Plan.

Resolved

That the content of the Wiltshire Council Internal Audit Plan for 2010-11 be noted, with particular regard to the following:

- **The audit planning process, incorporating risk-based planning, departmental and corporate governance functions, and external audit liaison.**
- **Significant issues having an impact upon the plan.**
- **A summary of available audit resources, and where these will be employed over the operational year.**
- **Progress against the plan will be reported regularly throughout the year.**

78. Internal Audit Progress Report 2010-11

The Head of Internal Audit introduced the report and highlighted the main consideration for the Council.

He informed the Committee that this was the first progress report for the current financial year. The new style report, introduced at the request of the Committee, tracks management response and actions to Internal Audit recommendations. Follow up work concluded that management is responding properly to Audit reports with appropriate action to manage risks. Where assurance is not given issues would be taken up with Service Directors. Action with regard to car parking recommendations is still outstanding.

The Chief Finance Officer and Head of Internal Audit will report on a recommended response to CIPFA consultation document – Role of the Head of Internal Audit.

Resolved

That the report be noted.

79. Annual Governance Statement 2009/10

The Monitoring Officer presented the Draft Annual Governance Statement

(AGS) for 2009-10 for the Committee's preliminary comments.

It was noted that the Council was required to prepare and publish an AGS as part of its annual review of the effectiveness of its governance arrangements.

The draft AGS would be revised in the light of any comments this Committee, or any other body consulted, wished to make and the ongoing review work by the Assurance Group.

The draft AGS would be presented to Cabinet, the Standards Committee and KPMG, External Auditors, with any comments being presented to this Committee at its meeting on 30 September 2010 when the AGS would be presented for final approval.

Members suggested that the AGS should be more robust in stating the many achievements of the Council over the past year and the benefits of moving to unitary status, at the same time reflecting openly on the challenges which have been met.

Resolved

1) To ask the Assurance Group,

- a) To review the AGS in light of the above comments and make appropriate amendments.**
- b) To include the issues relating to the implementation of SAP covered in KPMG's Interim Audit Report 2009/10 as a significant governance issue in Section E of the AGS.**

2) To note that the draft of the AGS will be revised further in the light of ongoing work by the Assurance Group and any comments of the Standards Committee and Cabinet, before being brought back to the Committee for final approval on 30 September 2010.

80. Proposed Work Programme for the Audit Committee 2010/11

The Committee received its proposed work programme for 2010-11, and was invited to identify any further areas which required its consideration and to advise officers of any specific issues it would like to see addressed in the reports included in the programme.

Resolved

- a) To amend the work programme as follows for the meeting on Wednesday 30 June:**

- **A joint paper surrounding the cultural changes surrounding SAP implementation to be submitted to Audit and Standards Committee.**
- **Post Implementation SAP Review Report.**
- **Internal Audit Benchmarking Report.**

b) To review the papers received by the Audit Committee and address timings, frequency and length of meeting to facilitate improved functionality.

81. Date of next meeting

The next regular meeting of the Audit Committee will be held on 30 September 2010 at 2.00pm.

82. Urgent Items

None.

(Duration of meeting: 10.35 am - 2.20 pm)

The Officer who has produced these minutes is Anna Thurman, of Democratic Services, direct line (01225) 718379, e-mail anna.thurman@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

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GOVERNMENT

Report to those charged with governance (ISA 260) 2009/10

Wiltshire Council

16 September 2010

AUDIT

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Chris Wilson, who is the engagement partner to the Authority (telephone 0118 964 2269, email christopher.wilson@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (0161 236 4000, email trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Investigation Officer, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Section one

Executive summary

Scope of this report

This report summarises:

- the key issues identified during our audit of Wiltshire Council's ('the Authority's) financial statements for the year ended 31 March 2010; and
- our assessment of the Authority's arrangements to secure value for money in its use of resources.

This report does not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2009/10*, presented to you in June 2010, which summarised our planning and interim audit work.

Financial Statements

The table below summarises the key findings from our work in relation to the financial statements audit. Section two of this document provides further details.

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<p>Critical accounting matters</p>	<p>We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately.</p> <p>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.</p>
<p>Accounts production and audit process</p>	<p>We have noted a significant improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.</p> <p>The Authority has implemented the majority of the recommendations in our Interim report and ISA 260 Report 2008/09 relating to the financial statements, as reported to the Audit Committee in June, and is in the process of implementing the remaining items.</p>

<p>Audit differences</p>	<p>Our audit has identified a total of six audit adjustments with a total gross value of £37.2m. However, there is no impact as a result of these adjustments on the General fund balance.</p> <p>We have included a full list of significant audit adjustments at Appendix E. All of these were adjusted by the Authority, with the exception of one disclosure adjustment of £0.5m in respect of reclassification as exceptional costs, which was not adjusted on the basis of immateriality.</p>
<p>Completion</p>	<p>At the date of this report our audit of the financial statements is substantially complete, although we are still completing our audit work on:</p> <ul style="list-style-type: none"> -Internal recharges; -Cash flow statement; and - a few other balances. <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.</p>
<p>Proposed opinion</p>	<p>We anticipate issuing an unqualified audit opinion for the 2009/10 Statement of Accounts. We will also report that the wording of your Annual Governance Statement accords with our understanding.</p>

We have raised a number of recommendations in relation to the matters highlighted above, which are summarised in Appendix C.

Section one
Executive summary

Use of Resources

The table below summarises the key findings from our assessment of the Authority’s arrangements to secure value for money in its use of resources.

Our findings are detailed in section three of this report.

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<p>Use of resources assessment</p>	<p>Following the change in government, the use of resources assessment at local authorities ceased with immediate effect in May 2010. The Authority will therefore not receive scores in respect of the 2010 assessment.</p> <p>Key messages arising from our assessment are:</p> <ul style="list-style-type: none"> • Overall, there are sufficient procedures in place for Managing Finances, with significant improvements noted in the financial statements process. However, improvements could be made in cost / performance benchmarking, fees and charges strategy and debt monitoring. • 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.
<p>Specific use of resources risks</p>	<p>We have considered the specific use of resources risks we set out in our <i>Audit Fee Letter 2009/10</i>:</p> <ul style="list-style-type: none"> • We have completed work surrounding the risks over accounting for PFI schemes under IFRS and have deemed the accounting treatment to be appropriate. • We also reported our findings on the Migration of data onto SAP in June 2010. • Our work on benefits realisation phase three is ongoing, and we will report our findings in due course.

Proposed opinion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Exercise of other powers

We have a duty under section 8 of the Audit Commission Act 1998 to consider whether, in the public interest, to report on any matter that comes to our attention in order for it to be brought to the attention of the public. In addition we have a range of other powers under the 1998 Act.

This year we have again received correspondence from a number of local electors, which we considered but none have required any significant audit response. We also received a formal objection to the Council’s accounts relating to the lawfulness of expenditure incurred through investigating Members’ Standards complaints that the Council inherited from one of the demised district councils.

The objector asked that we issue a public interest report and apply to the court to have the items of account declared unlawful (under sections 11 and 17 of the 1998 Act). We considered the issues raised carefully but were not persuaded that the Council had acted unlawfully. We therefore declined the objector’s request to issue either a public interest report or a declaration.

Certificate

We are required to certify that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice. If there are any circumstances under which we cannot issue a certificate, then we are required to report them to you and to issue a draft opinion on the financial statements.

At present there are no issues that would cause us to delay the issue of our certificate of completion of the audit.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Introduction

We have completed our work on the 2009/10 financial statements.

We anticipate issuing an unqualified audit opinion on 30 September 2010.

The Authority’s and our responsibilities

Wiltshire Council is responsible for having effective systems of internal control to ensure the regularity and lawfulness of transactions, to maintain proper accounting records and to prepare financial statements that give a true and fair view of its financial position and its expenditure and income. It is also responsible for preparing and publishing an Annual Statement of Governance with its financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

The Audit Commission’s Code of Audit Practice requires us to summarise the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified and we report to those charged with governance (in this case the Audit Committee) at the time they are considering the financial statements.

We are also required to comply with International Standard on Auditing (ISA) 260 which sets out our responsibilities for communicating with those charged with governance.

This report meets both these requirements.

Introduction

Our audit of the financial statements can be split into four phases:



We previously reported on our work on the first two stages in our *Interim Audit Report 2009/10* issued in June.

This report focuses on the final two stages: substantive procedures and completion.

Substantive Procedures

Our final accounts visit on site took place between July and September. During these months, we carried out the following work:

- Planning and performing substantive audit procedures
- Concluding on critical accounting matters
- Identifying audit adjustments
- Reviewing the Annual Governance Statement

We have substantially completed our audit of the Authority’s 2009/10 financial statements. A small number of areas are still under review at the date of this report, but should be concluded by the time of the Audit Committee:

- Internal recharges;
- Cash flow statement; and
- A few other balances.

Completion

We are now in the final phase of the audit. Some aspects are discharged through this report:

- Declaring our independence and objectivity
- Obtaining management representations
- Reporting matters of governance interest
- Forming our audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2010.

Accounts production and audit process

We have noted a significant improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

The Authority has implemented the majority of the recommendations in our Interim report and ISA 260 Report 2008/09 relating to the financial statements, as reported to the Audit Committee in June, and are in the process of implementing the remaining items.

The wording of your Annual Governance Statement accords with our understanding.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the qualitative aspects of the Authority’s accounting practices and financial reporting.

We also assessed the Authority’s process for preparing the accounts and its support for an efficient audit.

Element	Commentary
Accounting practices and financial reporting	<p>Although there have been some significant weaknesses in key internal control areas, the Authority has made efforts to resolve these matters, as reported to the Audit Committee in June.</p> <p>We recognise that this is an on-going process and that there is still scope to improve this further going forward as procedures are developed, implemented and revised, as necessary.</p> <p>We have set out progress against recommendations we have previously raised in Appendix D.</p>
Completeness of draft accounts	<p>We received a complete set of draft accounts in June. We did note, however, that the accounts approved by the Audit Committee did not yet contain the required disclosures in respect of senior staff remuneration. These have now been included in the accounts.</p> <p>As a result of our audit work the Authority made several material adjustments to the Income & Expenditure account and the Balance Sheet following the Audit Committee meeting when the draft financial statements were approved. There is no net impact, however, on either the Income and expenditure account or the general fund balance.</p> <p>There were also a number of amendments of a presentational nature which have been made.</p> <p>However, despite these issues, we are pleased to report that the Authority has made considerable improvements to its financial reporting arrangements, following last year’s significant issues.</p>

Element	Commentary
Quality of supporting working papers	<p>Our Accounts Audit Protocol, which we issued in May, and discussed with the Chief Financial Officer, set out our working paper requirements for the audit.</p> <p>The quality of working papers provided was largely of a good quality and met the standards specified in our Accounts Audit Protocol.</p>
Response to audit queries	<p>The vast majority of additional audit queries were resolved in a timely manner. We also appreciate the efforts made by officers to resolve the increased volume of requests that we made due to the increased substantive testing required as a result of our inability to rely, as planned, on many of the Council’s financial controls.</p>

Prior year recommendations

In our *Interim Audit Report 2009/10* we commented on the Authority’s progress in addressing the recommendations in our *ISA 260 Report 2008/09*.

The Authority has implemented the majority of the recommendations in our Interim report and ISA 260 Report 2008/09 relating to the financial statements, as reported to the Audit Committee in June, and is in the process of implementing the remaining items.

Appendix D provides further details.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately.

We did, however, raise concerns over the migration of data onto the new SAP system and the separation of a number of controls on this new system.




Work completed

- In our *Financial Statements Audit Plan 2009/10*, presented to you in February, we identified the key risks affecting the Authority's 2009/10 financial statements.
- In our *Interim Audit Report 2009/10* we commented on the Authority's progress in addressing these key risks. We also undertook specific work on data migration to the new SAP system.

- We have now completed our testing of these areas and set out our final evaluation following our substantive work.

Key findings

- The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
 <p>Year end close-down</p>	<p>A large number of material errors and omissions were identified in the Council's 2008/09 financial statements submitted for audit, caused in part by weaknesses in the resourcing and planning of the accounts closedown process.</p>	<p>There were a few material adjustments to the 2009/10 Statement of Accounts, and there were also several presentational adjustments required to the notes to the accounts.</p> <p>We acknowledge, however, that these material adjustments have mostly arisen in more complex accounting areas.</p> <p>Overall, the closedown procedures were well managed, and the level of amendments required compared to the prior year was considerably less.</p>
 <p>Fixed asset accounting</p>	<p>Specific areas of concern were noted in 2008/09 regarding the Council's controls over its fixed assets, including monitoring and recording of assets to ensure accounting records reflect the true position, accounting for revaluations and impairment, the timing of fixed asset processes and the correct identification of the capital / revenue expenditure split.</p>	<p>The Authority implemented procedures to address the concerns detailed in our <i>ISA 260 report 2008/09</i> and we have not identified the same concerns as part of this year's audit. This reflects positively on the effort and attention dedicated by the Council into improving fixed asset accounting. This remains an area to keep on top of, but clear improvements have been seen,</p>
 <p>SAP</p>	<p>There is a risk that the data migrated onto the new SAP system from the old financial systems will not be accurate or complete, and that opening balances may be misstated.</p>	<p>We found some concerns over the migration of data onto the new SAP system. This was detailed in our report on this matter submitted to the Audit Committee in June in which we concluded there was a divergence in the quality of management of the data migration, and in a number of areas the necessary audit assurance on the migration of data into the new SAP system was not provided. We also identified issues around the separation of some key financial controls, as noted in our <i>Interim Audit Report</i>.</p> <p>As a result of these findings, we had to significantly adapt our audit approach to include significant additional substantive work.</p>

Critical accounting matters (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately.

Key audit risk	Issue	Findings
 <p>Transition to One Council</p>	<p>There is a risk that the key controls over systems such as Council tax, NNDR, and the Housing Revenue account which have inherited from the demised district councils may not be operating appropriately.</p> <p>There is also a risk that these systems may not be appropriately reconciled to the General Ledger and that the disclosures within the accounts are not sufficient and accurate.</p>	<p>As reported in our interim report we performed controls testing at the hubs on key systems. We found some minor control deficiencies (as reported in our <i>Interim Audit Report</i>), although largely we found the controls over these systems to be working appropriately.</p> <p>We also performed substantive work over these systems at year end, and these have not identified any notable issues.</p>
 <p>PFI</p>	<p>Wiltshire Council has inherited a Private Finance Initiative (PFI) funded office and three schools from its predecessor bodies and a planned housing scheme from one of the demising district councils.</p> <p>These must be accounted for in line with the CIPFA SORP 2009. The SORP adopts IFRS PFI accounting for the first time in 2009 and may result in some assets being accounted for in the Council's balance sheet for the first time.</p> <p>We will review the Council's current PFI contracts and consider the financial models that have been used to account for these arrangements to ensure that balances have been correctly disclosed in the financial statements.</p>	<p>We have reviewed the Authority's accounting treatment of the PFI schemes, and obtained all the required information and explanations to support the treatment applied.</p>
 <p>Valuation of Investments</p>	<p>The Council's investment management strategy and controls should be compliant with the CIPFA Prudential Code.</p> <p>CIPFA has also published revised guidance on the accounting for Icelandic bank investments and these should be considered when determining the valuation of these assets.</p>	<p>We have reviewed the treatment of Icelandic bank investments against the latest CIPFA guidance and not identified any issues over the current valuation of the investments.</p>

Critical accounting matters (continued)

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the majority of issues appropriately.

Key accounting matters identified during final audit

In addition to the key audit risks identified within the *Financial Statements Audit Plan 2009/10* the findings on which are presented on the previous two pages, we also identified several other matters that have also been deemed key accounting areas:

Additional key audit findings	Issue	Findings
Disposal of a fixed asset on a Foundation school	<p>During 2009/10 the Council received cash proceeds from a Foundation school within Wiltshire arising from the disposal of a fixed asset. This was originally treated in the accounts approved by the Audit Committee in June as income received.</p> <p>Additionally, a replacement asset is being constructed by the school. This has been accounted for as expenditure within the Council's accounts.</p> <p>However, the fixed assets of Foundation schools are not under the control of the Authority, and therefore the fixed assets of the school are not accounted for on the Council's balance sheet under the SORP.</p>	<p>An audit adjustment was made in respect of these transactions to reflect the substance of the agency relationship between the Council and the school in this particular case.</p> <p>Consequently both the income and expenditure have been reversed out of the accounts. This is shown in the Corrected Audit differences in Appendix E.</p> <p>This issue was originally raised in the <i>2008/09 ISA 260 report</i> and the adjustment applied in 2009/10 is consistent with this.</p>
PFI schemes for Foundation school	<p>One of the Council's PFI schemes recognised on the balance sheet in 2009/10, following the changes to the SORP in the current year, relates to a separate Foundation school.</p> <p>The asset and liability for this item have been recognised by the Council.</p>	<p>The treatment applied was considered, and found to be appropriate as the PFI obligations remain with the Council, who continue to make unitary payments on behalf of the school.</p> <p>At the conclusion of the PFI scheme the residual value of the asset within the accounts will transfer to the school.</p>

Residual Controls testing - Key findings over procedures for Capital Accounting

- In our *Interim Audit Report 2009/10* it was noted that due to the timing of fixed asset control procedures we had been unable at that point to assess the effectiveness of revised procedures for Capital Accounting. At year end we have substantively tested these balances and not identified any significant outstanding issues, other than one point on impairment procedures as detailed in Appendix C.

Audit differences

Our audit identified a total of six audit adjustments with a total gross value of £37.2m.

There is no impact as a result of these adjustments on the general fund account as at 31 March 2010.

Work completed

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Key findings

Our audit identified a total of six audit adjustments with a total gross value of £37.2m. Of these, five have been adjusted by management and one item has not been adjusted as it does not have a material effect on the financial statements.

The net impact on the General Fund as at 31 March 2010 as a result of audit adjustments is nil.

Of the audit adjustments we have identified, the most significant in monetary value are as follows:

- De-recognition of a transaction relating to a Foundation school:
Dr Income £11.9m, Cr Net Cost of Services Expenditure £11.9m
- Recognition of an asset disposal:
Dr Loss on disposal of fixed assets £8.3m, Cr Disposals £8.3m, Dr CAA £7.9m, Dr Revaluation Reserve £0.4m, Cr SMGFB £8.3m.

We have provided a summary of significant audit differences in Appendix E. It is our understanding that these have been adjusted in the final version of the financial statements, except for the one uncorrected item which has not been adjusted by management as it does not have a material effect on the financial statements.

In addition, we identified a number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2009: A Statement of Recommended Practice* ('SORP'). We understand that the Authority will be addressing these where

significant.

The tables below illustrates the total impact of audit differences on the Authority's income and expenditure account for the year and balance sheet as at 31 March 2010.

Income & expenditure 2009/10	Pre-audit £m	Post-audit £m
Net cost of services	420.1	420.1
Net Other operating (income) & expenditure	(306.0)	(297.7)
Deficit for the year	114.1	122.4
Net additional debits/ (credits)	(114.5)	(122.8)
(Increase)/ decrease in General Fund	(0.4)	(0.4)
Balance Sheet as at 31 March 2010	Pre-audit £m	Post-audit £m
Fixed assets	1,147.3	1,139.0
Other long term assets	7.6	7.6
Current assets	144.4	147.4
Current liabilities	(111.9)	(116.0)
Long term liabilities	(974.9)	(973.9)
Net worth	212.5	204.1
General Fund	(13.8)	(13.8)
Other reserves	(198.7)	(190.3)
Total reserves	(212.5)	(204.1)

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

There has been a high number of weaknesses surrounding the internal control environment during 2009/10.

Once we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Wiltshire Council for the year ending 31 March 2010, we confirm that there were no relationships between KPMG LLP and Wiltshire Council, its members and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix F in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing, completeness of fixed assets, school bank reconciliations, and whether the transactions within the accounts are legal and unaffected by fraud. We have included a copy of a representation letter as Appendix G. We have provided a draft to the Chief Financial Officer. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate "audit matters of governance interest that arise from the audit of the financial statements" to you which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc); and

- other audit matters of governance interest.

We reported in our *Interim Audit Report 2009/10* presented to the Audit Committee in June, that as part of our interim controls work we identified a very large number of issues surrounding the internal control environment, of which many have been highlighted as high priority. This led to us concluding that overall the organisational control environment had not been fully effective in the year.

Management has been making efforts to address the concerns we identified, as reported to the Audit Committee in June. We will continue to monitor the status of outstanding issues and have set out the latest position in Appendix D.

We have also undertaken additional substantive work as part of our audit in response to these audit risks.

Opinion

We anticipate issuing an unqualified audit opinion by 30 September 2010.

Our proposed opinion on the financial statements is presented in Appendix A

Introduction

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Authority's and our responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and regularly reviewing their adequacy and effectiveness.

We are required to conclude whether the Authority has adequate arrangements in place to ensure effective use of its resources. We refer to this as the 'value for money (VFM) conclusion'.

Introduction

Our assessment previously drew mainly on the findings from the use of resources assessment (UoR) framework, as the specified criteria for the VFM conclusion were the same as the UoR Key Lines of Enquiry (KLoE).

In May 2010 the new government announced that the Comprehensive Area Assessment (CAA) would be abolished. The Audit Commission subsequently confirmed that work related to CAA should cease with immediate effect. This includes work for UoR assessments at local authorities.

However, there is no change to the requirement in the statutory Code of Audit Practice for auditors to issue a VFM conclusion.

At the time of the announcement, the vast majority of UoR work for 2010 had already been completed and this therefore informed our 2009/10 VFM conclusion. We provided some commentary on our findings within our *Interim Audit Report 2009/10*.

We also identified a number of specific risks impacting on our 2009/10 value for money conclusion and undertook targeted work on these areas.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This represents an improvement on the prior year when the VFM conclusion was qualified due to weaknesses in the Council's financial reporting arrangements.

Our proposed conclusion is set out in Appendix B.

VFM criterion	Met
Managing finances	
Financial planning	✓
Understanding costs and achieving efficiencies	✓
Financial reporting	✓
Governing the business	
Commissioning and procurement	✓
Data quality and use of information	✓
Governance	✓
Risk management and internal control	✓
Managing resources	
Use of natural resources	✓
Strategic asset management	✓
Workforce planning	✓

The following pages include further details on the use of resources assessment and specific risk-based work.

Use of resources assessment

The Audit Commission announced that its use of resources assessment at local authorities ceased with immediate effect in May 2010.

The Authority will therefore not receive scores in respect of the 2010 assessment.

There are sufficient procedures in place for Managing Finances, with significant improvements noted in the financial statements process. However, improvements could be made in cost / performance benchmarking, fees and charges strategy and debt monitoring.


Work completed

- We completed work on the 2010 use of resources assessment between March and July 2010.
- Our work involved review of the Authority’s self-assessment, discussions with key officers for all areas, and review of relevant internal and external documentation.
- We also completed additional work during July where we considered this to be still relevant to our VFM conclusion. This included our data quality spot checks.

Key findings

- Even though the 2010 UoR assessment was substantially completed, we have been advised by the Audit Commission not to share indicative scores with audited bodies.

- We have therefore only included general messages in this report about the Authority’s performance in each area. In particular, we have highlighted the key issues which we consider should be brought to the attention of those charged with governance. More detailed feedback has been provided to the Corporate Director of Resources in April.
- Below we set out our findings in respect of each area.



Theme	Summary findings
 <p>Managing finances</p>	<p>There have been significant improvements in the annual financial statements process, engaging with stakeholders in the budget setting process and encouraging competition to improve efficiency.</p> <p>However, we have not been provided with evidence of continued cost / performance data to review VfM, or demonstrating benchmarking of unit costs. There is no strategic fees and charges policy, nor evidence of debt monitoring. Furthermore, the SAP implementation has led to significant difficulties which mean that flexible reporting tools have not been available throughout the year and budget holders have not had access to real-time information. However, these areas represent improvement opportunities and do not undermine our ability to issue an unqualified VFM conclusion.</p>

Use of resources assessment (continued)

Procedures for Governing the Business remain robust areas, and improvements have been made in Data Security.

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.

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Theme	Summary of progress and findings
 <p>Governing the business</p>	<p>Overall, there have been some specific improvements in several areas during 2009/10. In particular, there has been an increased importance and profile given to data security, and there have not been any high profile data security breaches during the current year, unlike previously. The Council is continuing to monitor this area, and make improvements where areas of weakness are identified.</p> <p>There is a Counter Fraud and Corruption Strategy in place, however as noted in the prior year there could be improvements over communicating this and ensuring compliance with partners.</p> <p>Governance procedures in place remain robust and there have been improvements in that there is also now a fully independent Audit Committee.</p>
 <p>Managing resources</p>	<p>Natural resources has not been required to be assessed in the current year.</p> <p>Asset management processes appear to be robust and the Council has an ambitious programme in place with the Workplace Transformation Programme both in its scope and anticipated future benefits. However, further improvements can still be made in the areas of partnership working and also in ensuring that records from the inherited districts are properly maintained.</p> <p>Workforce Planning is being assessed for the first time in 2009/10. The Council has performed well in this area by successfully managing to redeploy many staff following the move to One Council. However improvements can be made through undertaking detailed succession and workforce planning across all departments, and by collating and evaluating internal data from employees on their morale, and obtaining feedback externally from local communities on their treatment from Council staff.</p>

Specific use of resources risks

We have considered the specific use of resources risks we first set out in our *Audit Fee Letter 2009/10*.

Our work on benefits realisation is ongoing, and we will report our findings in due course.

The SAP data migration review identified a number of issues and weaknesses.

We did not identify any issues with the appropriateness of the accounting treatment being applied for PFI schemes.




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Work completed

- Our initial risk assessment was included in our *Audit Fee Letter 2009/10* and we set out our preliminary findings in respect of these risks in our *Interim Audit Report 2009/10*.
- We issued a separate report to the Authority which reported our findings from the SAP data migration review. This was discussed at the Audit Committee in June.

Key findings

- We have completed our work on these risk areas and summarise our findings below, together with any implications for our VFM conclusion.

VFM risk	Relevance to VFM conclusion	Findings
	<ul style="list-style-type: none"> • Managing Finances • Managing Resources 	Our work on benefits realisation is ongoing, and we will report our findings in due course. There are no issues arising so far that have an impact on our VFM conclusion.
	<ul style="list-style-type: none"> • Managing Finances • Internal Control 	Our review identified a number of issues with both the management of this process and the transfer of specific balances to the new system. We have summarised the findings from this review in a separate audit report presented to the Audit Committee in June, which highlighted these key issues and made a number of recommendations.
	<ul style="list-style-type: none"> • Managing Finances 	We have reviewed the Council's accounting treatment of schemes being accounted for under IFRS from 2009/10 and have found the accounting treatment to be appropriate.

Other projects

- Although not part of our VFM conclusion or accounts audit, our IT advisory specialists are also performing a post implementation review of the new SAP system. This work is currently being undertaken and the findings will be reported in due course.

Appendix A: Proposed Opinion on the Financial Statements

Our opinion states whether the accounting statements and related notes give a true and fair view of the financial position of the Authority and its income and expenditure for the year.

We define what mean by 'accounting statements'.

Independent auditors' report to the Members of Wiltshire Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Wiltshire Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and its income and expenditure for the year.

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

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Appendix A: Proposed Opinion on the Financial Statements (continued)

Our proposed opinion is unqualified.

There are no expected modifications to the auditors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Appendix A: Proposed Opinion on the Financial Statements (continued)

We issue a separate opinion on the pension fund accounts. This states whether the pension fund accounts give a true and fair view of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities.

The pension fund accounts form part of the Authority's Statement of Accounts but are subject to a separate audit and separate ISA 260 report.

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Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the pension fund accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the pension fund accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Appendix A: Proposed Opinion on the Financial Statements (continued)

Our proposed opinion on the pension fund accounts is also unqualified.

Basis of audit opinion

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

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

Opinion

In our opinion the pension fund accounts and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Certificate

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

Appendix B: Proposed use of resources conclusion

Our proposed use of resources conclusion is unqualified.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditors' Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Wiltshire Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2010.

Certificate

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

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

100 Temple Street

Bristol

BS1 6AG

30 September 2010




Appendix C: Recommendations

We have identified seven recommendations during our final audit.

Of these, three are considered to be of a high priority.

Procedures for School Bank reconciliations during the year end closedown process need to be reviewed, amended and communicated to the schools.

We have given each recommendation a risk rating (as explained below) and agreed what action management will need to take. We will follow up these recommendations next year.

Priority rating for recommendation		
<p>Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p> 	<p>Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.</p> 	<p>Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.</p> 

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
1	1	<p>School Bank reconciliations</p> <p>The closedown procedures for the school bank reconciliations were incorrect as they did not apply a strict 31 March cut-off. This resulted in April 2010 transactions being posted into the 2009/10 financial year which should have been omitted. While this did not impact upon the Income and Expenditure account or the General Fund balance, it did impact on balance sheet accounts.</p> <p>Given the number of schools controlled by the Council there is a risk that if left unaddressed this could lead to a significant misstatement.</p> <p>Recommendation</p> <p>The Central Finance department and the department for Children and Education should work closely together to review the procedures for closedown of the schools' ledgers.</p> <p>These revisions should be clearly communicated to all the schools and appropriate quality control procedures implemented to ensure the bank reconciliations and ledger balances are accurate.</p>	<p>A new procedure for closedown of schools ledgers will be developed and issued to all schools to reflect the strict 31 March cut off to be implemented for closedown 2010/2011.</p> <p>M Tiller / E Williams - January 2011</p>

Appendix C: Recommendations (continued)

The bad debt provision policy still requires consideration.

Procedures to ensure the completeness of fixed assets should be planned for 2010/11.

The procedures for performing internal recharges should be reviewed, amended, and communicated to relevant staff.

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
2	1	<p>Bad debt provision</p> <p>The bad debt provision for the year was not calculated based on a clearly defined policy.</p> <p>While we understand that procedures for debt management are being reviewed, the actual figure used for the current year provision should be supported, or based on a clear rationale.</p> <p>Recommendation</p> <p>The procedures for debt management should be reviewed and implemented so that the bad debt provision is based on clear and approved assumptions.</p>	<p>Debt Management procedures are being reviewed and will be taken to Cabinet in October 2010. Bad debt provision is currently based on defined procedures for most discrete areas (Council Tax/ NNDR/ Housing Rents) and will be reviewed for the rest of the debt.</p> <p>M Tiller - October 2010</p>
3	1	<p>Completeness of fixed assets</p> <p>Since the move to One Council no specific work has been undertaken to ensure that the Council's recorded asset base is complete.</p> <p>While we understand that the fixed assets inherited from the old Districts has been reconciled to the District's prior year Statements of Accounts, there remains a risk that fixed assets could be understated without a undertaking procedures to verify this.</p> <p>Recommendation</p> <p>The Council is proposing undertaking a full revaluation of all fixed assets in 2010/11. This should also incorporate procedures to ensure that assets that may not already be on its Fixed Asset Register are also identified and valued.</p>	<p>A review of fixed assets will be undertaken in 2010/2011 and the Council will work with the new valuers to provide information for closedown.</p> <p>N Ward – March 2011</p>
4	2	<p>Internal recharges</p> <p>Some internal recharges between within Council departments have been accounted for in such as way as to equally overstate income and expenditure.</p> <p>Recommendation</p> <p>The procedures for performing internal recharges should be reviewed, and new guidance communicated to departments.</p>	<p>Internal recharges are being reviewed and new procedures will be developed for financial year 2010/2011.</p> <p>A Brown – March 2011</p>

Appendix C: Recommendations (continued)

Impairment procedures should be reviewed further.

Suspense accounts should be cleared down to nil as part of the year end closedown processes.

The school's payroll should be regularly reconciled to the general ledger.

No.	Priority	Issue & Recommendation	Management Response / Responsible Officer / Due Date
5	2	<p>Impairment procedures</p> <p>While there have been some improvements to impairment procedures, there is still scope for further improvements to ensure that all categories of asset with a higher risk of impairment have been considered.</p> <p>Recommendation</p> <p>The scope of the impairment review should be increased. This can be achieved by close working between the Central Finance and Estates departments.</p>	<p>The scope of the impairment review will continue to be increased. Work will be undertaken between Finance, Property and external valuers for closedown 2010/2011.</p> <p>N Ward/ M Tiller – March 2011</p>
6	2	<p>Clearance of Suspense accounts</p> <p>An audit adjustment was required as suspense accounts were not fully cleared down at year end.</p> <p>Recommendation</p> <p>Central Finance should ensure that all suspense account balances are regularly monitored, and that at year end closedown adjustments are required to clear the balances down to nil.</p>	<p>A few suspense accounts were not originally cleared at the year end 2009/2010. New procedures will be put in place for year end 2010/2011.</p> <p>M Tiller - March 2011</p>
7	2	<p>Reconciliation of School's payroll to the General ledger</p> <p>In 2009/10 the Cyborg payroll system which processed the school's payroll was not being regularly reconciled to the General ledger system.</p> <p>Recommendation</p> <p>We understand that the Cyborg system has not been used since March to process the payroll, with SAP being used instead as part of a planned change.</p> <p>However, management should still ensure that adequate reconciliations are performed on all payroll runs and reviewed on a timely basis within SAP.</p>	<p>Procedures around school payroll are being reviewed and new procedures will be put in place.</p> <p>M Tiller/ L Creedy – November 2010</p>

Appendix D: Follow-up of prior year & interim recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 report 2008/09* and *Interim Audit report 2009/10*.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2008/09* and our *Interim Audit Report 2009/10*. We have re-iterated any recommendations that are still outstanding.

Number of recommendations that were:		
Included in original <i>ISA 260 report 2008/09</i>	Implemented in year or superseded	Remain outstanding (re-iterated as current year recommendation 5 – pg 21)
18	17	1

Number of recommendations that were:		
High priority items Included in <i>Interim Audit report 2009/10</i>	Implemented in year or superseded	Remain outstanding (re-iterated below)
18	16	2

No.	Priority	Recommendation	Officer Responsible and Due Date	Status at September 2010
1	1	<p>Manual raising of Purchase Orders and lack of authorisation Purchase orders are not raised for all spend using the SRM purchasing system. Invoices are being posted to the system manually and some without being appropriately authorised. This leads to the risk that fraudulent invoices could be paid or invoices paid twice in error.</p> <p>Recommendation All expenditure should be entered on to the SRM procurement system. A search for duplicate invoices should also be performed as currently the system only checks SRM invoices against all other SRM invoices. (And likewise for non-SRM invoices.)</p>	<p>Caroline Bee (in liaison with SST) March 2011.</p>	<p>Work has begun on the review of procurement processes, with the first workshops to begin in August. Initial categories of spend to be reviewed will be utilities, legal services and design & print. The workshops will review the procure to pay processes by category of spend and whilst it is not always practical that all items of spend will go through SRM, a key outcome is to ensure that all agreed categories of spend are entered through the SRM system and users of the system are aware of the processes.</p> <p>Authorised signatory list is now in place and all invoices entered outside SRM are checked against the list by the AP team. Weekly duplicate invoice check report and SAP duplicate warnings being actioned by the AP team.</p>

Appendix D: Follow-up of prior year & interim recommendations (continued)

The Authority has not implemented all of the recommendations in our *ISA 260 report 2008/09* and Interim Audit report 2009/10.

We re-iterate the importance of the outstanding recommendations and recommend that these are implemented as a matter of urgency.

No.	Priority	Recommendation	Officer Responsible and Due Date	Status at September 2010
2	1	<p>No debt management policy in place There is no debt management policy in place and therefore no formal framework under which the function can operate. Without a formal policy there is a risk that overdue debts are not appropriately chased leading to a bad debt risk.</p> <p>Recommendation There should be a formal debt management policy in place covering how debts should be identified and managed.</p>	<p>Matthew Tiller October 2010</p>	<p>A debt management policy has been drafted and will be incorporated into the financial controls protocol.</p>

Appendix E: Audit differences

There are five audit differences which have been adjusted. Two of these were of a material value.

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in the Authority's case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2010.

Income and expenditure	Statement of Movement on GF Balance	Impact			Basis of audit difference
		Assets	Liabilities	Reserves	
Dr Income £11.9m Cr Expenditure (£11.9m)					Reversal of transactions relating to sale of a fixed asset and construction of a replacement asset at a foundation school where the Council is acting as an agency party.
Dr Expenditure £8.3m	Cr SMGFB (£8.3m)	Cr Fixed asset disposals (£8.3m)		Dr CAA £7.9m Dr Revaluation Reserve £0.4m	Treatment as a disposal of a transfer to assets to Salisbury City Council as part of the move to One Council.
		Dr Cash £5.5m Dr VAT £0.8m Dr Sundry debtors £1.5m Dr Accrued income £0.1m Dr Payments in advance £1.4m	Cr Sundry creditors (£3.8m) Cr Receipts in advance (£4.7m) Cr Other creditors (£0.8m)		Reclassification of consolidated schools' balances to their relevant balance sheet caption rather than being accounted for as cash.

Appendix E: Audit differences (continued)

There are five audit differences which have been adjusted. Two of these were of a material value.

Income and expenditure	Statement of Movement on GF Balance	Impact			Basis of audit difference
		Assets	Liabilities	Reserves	
			Dr Long term liabilities £1.0m Cr Current liabilities (£1.0m)		Treatment of accrued interest on loans as a current liability rather than as a long term liability.
		Dr Cash £2.4m Cr Trade debtors (£6.2m)	Dr Suspense accounts £3.8m		Entries required to clear out balances that were present within holding accounts at 31 March to their appropriate balance sheet caption.
Dr £8.3m	Cr (£8.3m)	Cr (£2.8m)	Cr (£5.5m)	Dr £8.3m	Total impact of adjustments

Appendix E: Audit differences (continued)

There is one uncorrected audit difference.

We are satisfied that this does not have an impact on our audit opinion if it is uncorrected, although the Audit Committee should review this to confirm it is satisfied for no adjustment to be made.

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Uncorrected audit differences

The following table sets out the uncorrected audit differences identified by our audit of Wiltshire Council's financial statements for the year ended 31 March 2010.

Income and expenditure	Statement of Movement on GF Balance	Impact			Basis of audit difference
		Assets	Liabilities	Reserves	
Dr Exceptional costs £0.5m					The element of redundancy pay paid to teachers which was over and above what they would have received had the terms of the redundancy been greater due to the move to a Unitary Council.
Cr Net Cost of Services Expenditure £0.5m					
-	-	-	-	-	Total impact of audit differences

Appendix F: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

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Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

“Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors’ functions, if it would impair the auditors’ independence or might give rise to a reasonable perception that their independence could be impaired.”

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission’s *Standing guidance for local government auditors* (‘Audit Commission Guidance’) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (‘Ethical Standards’).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor’s objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor’s network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor’s professional judgement, the auditor is independent and the auditor’s objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor’s objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

Appendix F: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

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General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor Declaration

In relation to the audit of the financial statements of Wiltshire Council for the financial year ending 31 March 2010, we would like to bring to your attention three engagements with the Council that KPMG have performed in addition to being the Council's auditors:

1) Prior to KPMG's appointment as the Council's auditors, the firm's VAT advisory practice had been engaged by both Salisbury District Council and West Wiltshire Council to assist in the recovery of overpaid VAT. The work involved assisting each council in identifying areas where VAT has been overpaid, preparing claims for repayment and subsequent discussions and negotiations with HMRC on repayments which are now due to Wiltshire. The fees in relation to this are wholly contingent on success based on amounts repaid by HMRC. Of seven claims submitted by the Council to HMRC, one has been successful while the outcome of the other six is pending.

To address this independence and objectivity risk the following safeguards have been in place:

There is complete separation internally within KPMG between the VAT advisory team and the audit team for the Council.

2) During the year we have been engaged to assist in the appraisal of strategic options for the provisions of leisure service. This work has now been completed and the fee in relation to this was £16,000 + VAT.

To address this independence and objectivity risk the following safeguards have been in place:

Appendix F: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

There is complete separation internally within KPMG between the advisory team that performed this engagement and the audit team for the Council.

3) Our IT Advisory department have been engaged to perform a post implementation review of the SAP implementation. The fee for this engagement is £35,000 + VAT.

To address this independence and objectivity risk the following safeguards have been in place:

There is complete separation internally within KPMG between the IT advisory team and the audit team for the Council. The work involves working with council employees to identify key outcomes from the implementation.

We confirm that there were no relationships between KPMG LLP and the Wiltshire Council, its members and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix G: Draft management representation letter

We ask you to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is standard and prescribed by auditing standards.

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Dear KPMG LLP,

We understand that auditing standards require you to obtain representations from management on certain matters material to your opinion. Accordingly we confirm to the best of our knowledge and belief, having made appropriate enquiries of other members of the Authority, the following representations given to you in connection with your audit of the financial statements for Wiltshire Council for the year ended 31 March 2010.

All the accounting records have been made available to you for the purpose of your audit and the full effect of all the transactions undertaken by Wiltshire Council has been properly reflected and recorded in the accounting records in accordance with agreements, including side agreements, amendments and oral agreements. All other records and related information, including minutes of all management and Committee meetings, have been made available to you.

We confirm that we have disclosed all material related party transactions relevant to the Authority and that we are not aware of any other such matters required to be disclosed in the financial statements, whether under FRS 8 or other requirements.

We confirm that we are not aware of any actual or potential non-compliance with laws and regulations that would have had a material effect on the ability of the Authority to conduct its business and therefore on the results and financial position to be disclosed in the financial statements for the year ended 31 March 2010.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with the Local Government Statement of Recommended Practice ("SORP") and wider UK accounting standards. We have considered and approved the financial statements.

We confirm that we:

- understand that the term "fraud" includes misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Misstatements resulting from fraudulent financial reporting involve intentional misstatements or omissions of amount or disclosures in financial statements to deceive financial statement users. Misstatements resulting from misappropriation of assets involve the theft of an entity's assets, often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation;
- are responsible for the design and implementation of internal control to prevent and detect fraud and error;
- have disclosed to you our knowledge of fraud or suspected fraud affecting the Authority involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others; and
- have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix G: Draft management representation letter (continued)

Specific assurances are sought over the:

- completeness of fixed asset records; and

- value of cash, asset and liabilities held in respect of schools.

We require a signed copy of your management representations before we issue our audit opinion.

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We confirm that the presentation and disclosure of the fair value measurements of material assets, liabilities and components of equity are in accordance with applicable reporting standards. The amounts disclosed represent our best estimate of fair value of assets and liabilities required to be disclosed by these standards. The measurement methods and significant assumptions used in determining fair value have been applied on a consistent basis, are reasonable and they appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Authority where relevant to the fair value measurements or disclosures.

We confirm that there are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than that already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements.

With reference to the specific issues on which you have requested assurances from Members, we confirm that:

- the Fixed Asset Register and the Statement of Accounts represent an accurate reflection of the fixed assets held by the Council at 31 March 2010, and there are no material omissions or errors either individually or in aggregate that would cause the Fixed Asset Register to be incomplete; and
- the bank reconciliations of the Council's schools have been reviewed and we confirm that the value of cash, assets and liabilities reported in the general ledger and Statement of Accounts in respect of Schools do not contain any material misstatement either individually or in aggregate.

We consider the effects of uncorrected financial statement mis-statements summarised in the accompanying schedule to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Finally, no additional significant post balance sheet events have occurred that would require additional adjustment or disclosure in the financial statements, over and above those events already disclosed.

This letter was tabled at the meeting of the Audit Committee on 30 September 2010.

Yours faithfully

[Name of Executive Director signing letter on behalf of Wiltshire Council]

On behalf of Wiltshire Council

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Wiltshire Council Statement of Accounts 2009/2010

Purpose of Report

1. To present the final draft Statement of Accounts for 2009/2010 for the Council.

Background

2. The first draft of the Statement of Accounts for 2009/2010 was presented on 30 June 2010. The latest draft is attached in Appendix 2. A reconciliation statement explaining the main differences between the two drafts is provided in Appendix 1.
3. The report issued by KPMG, the external auditors, on the Statement of Accounts for 2009/2010 is included earlier on the agenda.
4. The auditor's recommendations are detailed within Appendix 6 of the KPMG report. Relevant management responses are included.
5. The auditor's report on the Pension Fund accounts was presented to the Pension Fund Committee on 15 September 2010.

Main Considerations for the Council

6. This was the first set of accounts produced for Wiltshire Council. There were significant issues in previous year's set of accounts. These have been reviewed and addressed in the production of this set of accounts.
7. This was also the first year the accounts were produced directly from the Council's new SAP system.
8. The auditors have reported a significant improvement in the quality of the accounts and the supporting working papers.

Return to General Fund.

9. The accounts are produced in line with the current Accounting Code of Practice. However, the authority is required to raise council tax on a different accounting basis. This adjusts the deficit for several items, including capital financing, housing capital receipts and retirement benefits. These adjustments are fully annotated in the Statement of Movement on the General Fund. They adjust the technical deficit to the movement in reserves.
10. The Income and Expenditure Account shows a deficit for the year of £122.406 million. The net additional debits/ credits required under statute total £122.836 million. This gives a return back to general fund reserves of £430,000. This movement has not changed following the audit.

Audit Amendments

11. There have been five audit adjustments made since the report to members on 30 June 2010.
12. The net impact on the general fund reserve as at 31 March 2010 as a result of the audit adjustments is nil.
13. Full details of the adjustments are included in appendix E of the KPMG report. A summary of the effect on the accounts is included below.
 - The derecognition of a transaction relating to a foundation school reduces both expenditure and income on the income and expenditure account and has no net difference to the income and expenditure account.
 - Assets relating to Salisbury City Council of £8.342 million. These assets were officially transferred on 27 May 2010, after the balance sheet date. A note was presented in the accounts explaining this post balance sheet event. During the audit it was agreed to remove these assets from the accounts to better reflect the use of the assets. This adjustment amends the figures for profit/loss on fixed asset by £8.342 million, but there is no impact on the general fund balance.
 - The other three adjustments (reclassification of school's balances, treatment of accrued interest and reclassification of suspense accounts) all amend the presentation of the balance sheet as shown in appendix 1.
14. As with previous reports, responses to all recommendations in the external audit report have been made with actions identified. These actions will be monitored and assessed in order to ensure the preparation of future Statement of Accounts continue to be robust and reliable.

Environmental Impact of the Proposal

15. No issues have been identified arising from this report.

Equality and Diversity Impact of the Proposal

16. No issues have been identified arising from this report.

Risk Assessment

17. No issues have been identified arising from this report.

Financial Implications

18. These are outlined in the report above.

Legal Implications

19. There are no issues arising from this report.

REPORT AUTHOR
MATTHEW TILLER – INTERIM CHIEF ACCOUNTANT

The following unpublished documents have been relied on in the preparation of this report:

None

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Consolidated Balance Sheet

Appendix 1

	NOTES	31 March 2010 Wiltshire Council Pre-Audit £000	Remove Salisbury City Assets £000	Balance Sheet Reclassification £000	31 March 2010 Wiltshire Council Post-Audit £000
Fixed Assets					
Intangible Assets	25	9,317			9,317
Operational assets					
- Council dwellings & garages		245,595			245,595
- Operational properties and land		549,819	(5,281)		544,538
- Vehicles, plant and equipment		17,627	(131)		17,496
- Infrastructure		202,333			202,333
- Community assets		5,468	(10)		5,458
		<u>1,020,842</u>			<u>1,015,420</u>
Non-Operating Assets					
Investment properties		44,811	(2,920)		41,891
Assets under construction		72,274			72,274
Surplus assets held for disposal		76			76
		<u>117,161</u>			<u>114,241</u>
Total Fixed Assets	16	<u>1,147,320</u>			<u>1,138,978</u>
Long term debtors	47	2,632			2,632
Long Term Investments		5,003			5,003
Total Long Term Assets		<u>1,154,955</u>			<u>1,146,613</u>
Current Assets					
Stocks and work in progress		813			813
Debtors	48	65,420		(2,406)	63,014
Temporary investments		57,626			57,626
Cash and Bank	49	20,489		5,471	25,960
		<u>144,348</u>			<u>147,413</u>
Total Assets		<u>1,299,303</u>			<u>1,294,026</u>
Current Liabilities					
Creditors	50	(97,922)		(5,465)	(103,387)
Bank Overdraft	58	(13,971)		2,400	(11,571)
Long term loans maturing within 1 year	51	(15)		(1,025)	(1,040)
		<u>(111,908)</u>			<u>(115,998)</u>
Total Assets less Current Liabilities		<u>1,187,395</u>			<u>1,178,028</u>
Long Term Liabilities					
Long Term creditor PFI		(42,182)			(42,182)
Provisions	30	(3,299)			(3,299)
Long Term Borrowing	51	(206,895)		1,025	(205,870)
Other long term creditors		(625)			(625)
Pension Fund Liability	38 & 52	(564,942)			(564,942)
Planning Deposits		(16,004)			(16,004)
Government Grants Deferred		(118,907)			(118,907)
Capital Contributions Deferred		(20,632)			(20,632)
Deferred Liability		(1,431)			(1,431)
		<u>(974,917)</u>			<u>(973,892)</u>
Total Assets less Liabilities		<u>212,478</u>	<u>(8,342)</u>	<u>0</u>	<u>204,136</u>
Financed by					
Revaluation Reserve	53	(104,445)	371		(104,074)
Capital Adjustment Account	54	(612,797)	7,971		(604,826)
Useable Capital Receipts Reserve	55	(3,016)			(3,016)
Major Repairs Reserve	56	(632)			(632)
Financial Instruments Adjustment Account		3,148			3,148
Deferred Capital Receipts		(1,752)			(1,752)
Pension Reserve	52	564,942			564,942
General Fund Balance		(13,770)			(13,770)
Housing Revenue Account Balance		(12,746)			(12,746)
Earmarked Reserves	57	(30,753)			(30,753)
Collection Fund Adjustment Account		(657)			(657)
Total Equity	31	<u>(212,478)</u>	<u>8,342</u>	<u>0</u>	<u>(204,136)</u>

Explanatory Foreword

This forward gives a guide to the Council's Statement of Accounts and the key items in them. 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.

The Accounts

The Statement of Accounts comprises:

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

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

- **The Income and Expenditure Account.** This summarises the resources generated and consumed in providing services and managing the Council during the year. It includes all day to day expenses and related income, as well as transactions showing the fixed assets consumed and pensions;
- **The Statement of Movements on General Fund Balance.** This adjusts the balance on the Income and Expenditure account with items required by statute or non-statutory proper practice in order to show the true effect on Council Tax;
- **Statement of Total Recognised Gains and Losses (STRGL).** This brings together all the gains and losses for the year and shows the aggregate increase in net worth of the authority;
- **The Balance Sheet.** This is a snapshot picture as at 31 March 2010 that shows what the authority owns and owes;
- **The Cash Flow Statement.** This shows where money came from and where it went.

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.

1 Changes in the Statement of Accounts

The Council follows recommended accounting practices. Full explanations of any changes required for 2009/2010 are in the Statement of Accounting Policies and the various notes to the accounts.

2 Revenue

In respect of net revenue expenditure, the Council's 2009/2010 General Fund revised budget and actual spending figures were as follows:

2

General Fund Portfolio	Original Budget £m	Revised Budget £m	Actual £m	Difference £m
Children and Education	53.972	56.811	57.451	0.640
Community Services	115.462	117.539	117.665	0.126
Transport, Environment and Leisure	87.368	87.073	86.924	(0.149)
Economic Development, Planning And Housing	11.380	11.816	12.285	0.469
Department of Resources	47.909	58.566	58.503	(0.063)
Central Finance	20.200	20.703	20.596	(0.107)
Movement to/(from) Reserves	(4.075)	(20.290)	(20.983)	(0.693)
General Fund Portfolio Totals (a)	332.216	332.218	332.441	0.223
Funded by:				
Formula Grant	(100.778)	(100.778)	(100.778)	0.000
Area Based Grant	(19.325)	(19.325)	(19.391)	(0.066)
Extra Government Grant	0.000	0.000	(0.573)	(0.573)
Collection Fund (Surplus)/Deficit	(0.538)	(0.538)	(0.538)	0.000
Collection Fund Transfer	(211.591)	(211.591)	(211.591)	0.000
Unallocated headroom	0.016	0.014	0.000	(0.014)
Total Funding (b)	(332.216)	(332.218)	(332.871)	(0.653)
Movement on General Fund (a)-(b)	0.000	0.000	(0.430)	(0.430)

The outturn variation on the General Fund is £223,000 above the revised net budget for 2009/2010.

More about the Council's revenue spending on services is given, with notes, in the Income & Expenditure Account. The overall movement on the General Fund is a £430,000 return to reserves. More details are included in the Statement of Movement on General Fund.

3 Major Revenue Variations

The original revenue budget for 2009/2010 incorporated efficiencies of over £10 million, which included over £8 million efficiencies derived from One Council for Wiltshire. In addition, significant in year cost pressures in excess of £9 million had to be absorbed as a result of factors such as demand led services, winter gritting programme and the impact of the economic downturn.

The main cost pressures are summarised in the table below:

Pressure	£m
Loss of income due to economic downturn e.g. car parking and development services	3.90
Additional growth e.g. winter gritting programme	1.05
Pressure on demand led services e.g. adult social care and Special Educational Needs transport	3.13
ICT related cost pressures	1.00
Total Cost Pressures absorbed during the year	9.08

Further details are given the Revenue Outturn report that went to Cabinet on 22 June 2010. Details of main variations to the revised budget are included in the revenue outturn report to members.

4 Capital

When buying something that will last more than a year, the cost should be spread over its expected useful life. For the authority this is called capital expenditure, as opposed to revenue expenditure which is day to day outgoings such as heating, lighting, wages etc. The Council treated £107.324m of its expenditure in 2009/2010 as capital. The major schemes included in this spend were £15.251m on Melksham Oak School, £11.191m on Workplace Transformation Programme including Bourne Hill scheme, £9.544m on Local Transport Plan works and £9.140m on Wellington Academy.

5 Capital Financing

The Prudential system for capital financing allows councils to determine their own levels of debt, subject to affordability, when determining its capital strategy. Where it is economic to do so councils can borrow in order to proceed with major capital schemes, this is known as prudential borrowing. In 2009/2010, the Council funded its capital expenditure by grants and other contributions (54.0%), capital receipts (21.6%), prudential borrowing (20.2%) and major repair reserve (HRA) (4.2%).

6 Best Value Accounting Code of Practice (BVACOP)

The 2009/2010 Statement of Accounts has been prepared in accordance with the requirements of the 2009 Best Value Accounting Code of Practice (BVACOP).

7 Pensions

There is an increase in the total net liability this year, which has increased from a revised opening balance of £290m to £565m. Further details of the pensions liability can be found in the Statement of Accounting Policies, and in the notes to the core financial statements.

8 Local Government Reorganisation

A new unitary authority came into existence for the whole of Wiltshire on 1 April 2009. These are the first set of accounts to be produced for this new authority. In most cases, the original comparator figures are those for Wiltshire County Council, the continuing authority.

9 Further Information

Requests for further information about these accounts may be made to:

**Central Finance
Resources Department
Wiltshire Council**
County Hall
Trowbridge
Wiltshire
BA14 8JN
financialplanning@wiltshire.gov.uk



Matthew Tiller
Acting Chief Finance Officer
Wiltshire Council
30 September 2010

Statement of Accounting Policies

1 General Principles

This Statement of Accounts has been prepared according to the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This meets all requirements of proper accounting practice for local authorities

2 Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required for a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service revenue account.

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

4 Reserves

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

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

5 Government Grants and Contributions (Revenue)

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

6 Retirement Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned while working for the Council.

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

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

The liabilities of the Wiltshire pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 6.9% (based on the indicative rate of return on high quality corporate bond iBoxx Sterling Corporates Index, AA over 15 years).

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

- quoted securities – bid price;
- unquoted securities – professional estimate;
- unitised securities – average of the bid and offer rates;
- property – market value.

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years debited to Net Operating Expenditure in the Income and Expenditure Account.

6

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- gains/losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have update their assumptions – debited or credited to the Statement of Total Recognised Gains and Losses.
- contributions paid to the Wiltshire Pension Fund – cash paid as employer's contributions to the pension fund.

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

7 VAT

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

8 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009 (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 and Non Distributed Costs. These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

9 Intangible Fixed Assets

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

10 Tangible Fixed Assets

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

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

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

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

- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

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

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. All categories of fixed asset have been revalued within the last five years as part of our rolling annual revaluations.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

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

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Receipts for individual assets which exceed £10,000 are classified as capital receipts i.e. to contribute to the Capital Programme and/or reduce the cost of financing it. A proportion of receipts relating to housing right to buy disposals is payable to the government as part of the pooling scheme.

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

Depreciation is calculated on the following bases:

- Operational properties – straight-line allocation over the life of the property.
- Vehicles, plant and equipment – straight-line allocation over 5 years.
- Infrastructure – straight-line allocation over 60 years.
- Community Assets, Assets under construction and Land are not depreciated

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

11 Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisations are therefore replaced by Minimum Revenue Provision in the Statement of Movement on the General Fund Balance.

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

12 Revenue Expenditure Funded From Capital Under Statute

Expenditure which legislation deems to be capital but does not result in the creation of fixed assets was previously referred to as Deferred Charges. In accordance with the changes in SORP 2008, any such expenditure is now classified as Revenue Expenditure Funded from Capital Under Statute and is charged to the relevant service lines in the Income and Expenditure Account for that year. To negate the impact on council tax, the General Fund Balance is credited a corresponding amount to that which is debited to the Capital Adjustment Account, and subsequently shown as a reconciling item in the Statement of the Movement on the General Fund Balance.

13 Leases

Finance leases

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

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

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

Operating leases

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

14 Financial Liabilities

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

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

15 Financial Assets

Loans and receivables

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

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

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

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

16 Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost or net realisable value. Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

17 Interest in companies and other entities

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

18 Private Finance Initiative (PFI)

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

This is covered in more detail in note 21.

19 SORP 2009 Changes

There are a number of changes for local authority accounts introduced in the 2009 SORP, mostly of a minor nature. Three changes of note, however, relate to changes in accounting for PFI projects, NNDR disclosure and collection fund presentation. More details are disclosed in note 2.

20 Internal Interest

Interest and other items of income associated with financial assets and liabilities are based on interest received and receivable, however, accrued interest on deposits is included in the carrying value of the investment outstanding at 31 March 2010.

Expenses associated with financial assets and liabilities are mainly related to external interest payments on loans, based on the effective interest rate. Accrued loan interest is shown against the loan outstanding in line with SORP 2009. Other expenses are shown on an accruals basis.

21 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. Salaries and wages appear on a cash basis. Since these policies are applied consistently year on year, they have no material effect on any one year's accounts.

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 Financial Officer;
- Secure economic, efficient and effective use of its resources and to safeguard its assets;
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts. This has, under the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice), to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year to 31 March 2010.

In preparing this Statement of Accounts, the Chief Financial 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 Financial Officer

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

I certify that the Statement of Accounts presents a fair and true view of the financial position of Wiltshire Council at 31 March 2010 and the income and expenditure for the year ended 31 March 2010.



Matthew Tiller
Acting Chief Finance Officer
Wiltshire Council
30 September 2010

ANNUAL GOVERNANCE STATEMENT

To be inserted after adoption by the Council

Independent Auditors' Report to the Members of Wiltshire Council

Opinion on the accounting statements

We have audited the accounting statements and related notes of Wiltshire Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, and the Collection Fund. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority and its income and expenditure for the year.

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

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Certificate

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

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
30 September 2010

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

To be inserted here after the completion of the audit

Income and Expenditure Account

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.

	2009/2010		2008/2009
	Expenditure £000	Income £000	Restated Net Expenditure £000
General Fund Services			Net Expenditure £000
Central Services to the Public	1,371	(677)	694
Court Services	1,102	(391)	711
Cultural, Environment & Planning	39,017	(6,882)	32,135
Children's and Education Services	516,104	(383,930)	132,174
Highways, Roads & Transport Services	40,883	(3,994)	36,889
Housing Services General Fund	12,195	(11,757)	438
Housing Services HRA	0	0	0
Adult Social Care	147,280	(27,853)	119,427
Corporate & Democratic Core	2,507	(292)	2,215
Non-distributed Costs	5,021	0	5,021
Net Cost of On-going Service	765,480	(435,776)	329,704
Acquired Services			
Central Services to the Public	3,440	(1,234)	2,206
Court Services	0	0	0
Cultural, Environment & Planning	71,952	(18,053)	53,899
Children's and Education Services	0	0	0
Highways, Roads & Transport Services	13,159	(11,868)	1,291
Housing Services General Fund	145,772	(131,272)	14,500
Housing Services HRA	24,977	(21,776)	3,201
Adult Social Care	0	0	0
Corporate & Democratic Core	3,955	(1,090)	2,865
Non-distributed Costs	3,383	0	3,383
Total Acquired Services	266,638	(185,293)	81,345
Exceptional costs	9,019	0	9,019
Net Cost of Service			420,068
Town and Parish Precepts			11,879
Interest payable and similar charges			9,116
(Profit)/Loss on disposal of Fixed Assets			4,894
Impairment of Investments			(600)
Contribution of Housing Capital receipt to Government Pool			683
Interest and investment income			(1,376)
Pension Interest Costs			48,967
Expected Return on Pension Assets			(26,589)
Net Operating Expenditure			467,042
General Government Grants (note 8)			(38,865)
Non-Domestic Rate Pool Redistribution			(81,879)
Demand on the Collection Fund			(223,892)
Total Deficit for Year			122,406
			28,242

Wiltshire Council was formed following Local Government Reorganisation on 1 April 2009 from Wiltshire County Council and the four districts. The SORP requires that the income and expenditure account for 2009/2010 splits the net expenditure between ongoing services (relating to the old Wiltshire County Council Services) and acquired services (relating to the four districts). For further details see note 1.

Comparison figures are shown for Wiltshire County Council only.

For clarity, these figures are restated in note 63 to show the total expenditure on each subheading within the net cost of service.

Statement of Movement on the General Fund

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

	2009/2010	Restated 2008/2009
Deficit for year on Income and Expenditure Account	£000	£000
Net additional amount required by statute and non-statutory proper practice to be debited or credited to General Fund balances for the year (see below)	122,406	28,242
(Increase)/ Decrease in General Fund balance for the Year	(122,836)	(22,721)
	(430)	5,521
General Fund Balance Brought forward Wiltshire County Council	(4,956)	(10,477)
Acquired Services -Districts	(8,384)	
Revised opening balance	(13,340)	
Balance at 31 March	(13,770)	(4,956)

Notes on Statement of Movement on the General Fund

An Explanation of significance of Statement of Movement on General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account but is met from the Usable Capital Receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

Breakdown of amounts additional to statement of movements on General Fund Balance

	2009/2010	2009/2010	Restated 2008/2009
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.	£000	£000	£000
Amortisation and impairment of Intangible Assets	(3,239)		(16)
Depreciation and impairment of Fixed Assets	(68,952)		(19,891)
Excess of depreciation charged to HRA over the Major Repairs Reserves	(5,050)		
Revenue Expenditure Funded from Capital under Statute	(16,652)		(7,381)
Government grants deferred amortisation	2,558		2,243
Net Profit/(Loss) on disposal of fixed assets	(4,894)		953
Net charges made for retirement benefits FRS17	(42,065)		(27,219)
Impairment of investments	600		(2,281)
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements.	(150)		(171)
Amount by which Council Tax income included in Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	(116)		0
		(137,960)	
Amounts not included in the Income and Expenditure Account but required by statute when determining the movement on the General Fund Balance for the year.			
Capital expenditure charged to General Fund balances	4,747		795
Statutory provision for repayment of debt	11,004		7,853
Employer contributions payable to the pension fund	24,035		24,173
Transfer from Useable Capital Receipts equal to the contribution to the Housing Capital Receipts Pool	(683)		0
		39,103	
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year.			
Statutorily required transfer of balance on HRA	1,804		0
Voluntary revenue provision for capital financing	0		994
Transfer from earmarked Reserves	(25,783)		(2,773)
		(23,979)	
Net Additional amount required to be credited to the General Fund Balance for the year		(122,836)	(22,721)

Statement of Total Recognised Gains and Losses

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

	2009/2010	2008/2009
	Wiltshire Council	Restated Wiltshire County Council
	£000	£000
Deficit for the year on income and expenditure account	122,406	28,242
(Surplus) arising on revaluation of fixed assets	(14,113)	(19,668)
Actuarial losses on pension fund assets and liabilities	256,864	62,047
Other items	(167)	11,740
Total Recognised (Gains)/ Losses for the year	364,990	82,361
Prior Period Adjustments		
Acquired assets	(373,044)	
PFI Adjustment	5,005	
Collection Fund Adjustment	805	
Total Recognised (Gains)/ Losses since last statement of accounts	(2,244)	

Other items in 2009/2010 relate to a few identifiable brought forward figures that were identified during the production of the first set of accounts for the new unitary council. It is not expected that similar figures will reoccur in 2010/2011.

This ties back to the movement in reserves in note 31.

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2010 and 2009

	NOTES	31 March 2010 Wiltshire Council		31 March 2009 Wiltshire County Council	Acquired Services (Districts) £000	Other Prior year Adjustments £000	31 March 2009 Restated £000
		£000	£000	£000	£000	£000	£000
Fixed Assets							
Intangible Assets	25		9,317	10,313	1,078	0	11,391
Operational assets							
- Council dwellings & garages		245,595		0	249,823	0	249,823
- Operational properties and land		544,538		409,935	113,006	54,564	577,505
- Vehicles, plant and equipment		17,496		6,250	14,243	0	20,493
- Infrastructure		202,333		193,796	4,541	0	198,337
- Community assets		5,458		0	5,468	0	5,468
			1,015,420				
Non-Operating Assets							
Investment properties		41,891		7,296	37,403	0	44,699
Assets under construction		72,274		7,097	10,562	0	17,659
Surplus assets held for disposal		76		142	0	0	142
			114,241				
Total Fixed Assets	16		1,138,978	634,829	436,124	54,564	1,125,517
Long term debtors	47		2,632	20,206	3,213	(20,975)	2,444
Long Term Investments			5,003	0	0	0	0
Total Long Term Assets			1,146,613	655,035	439,337	33,589	1,127,961
Current Assets							
Stocks and work in progress		813		230	690	0	920
Debtors	48	63,014		38,571	29,840	(6,024)	62,387
Temporary investments		57,626		56,549	40,825	0	97,374
Cash and Bank	49	25,960		24,884	8,541	0	33,425
			147,413				
Total Assets			1,294,026	775,269	519,233	27,565	1,322,067
Current Liabilities							
Creditors	50	(103,387)		(96,352)	(19,719)	5,219	(110,852)
Bank Overdraft	58	(11,571)		(15,229)	(5,263)	0	(20,492)
Long term loans maturing within 1 year	51	(1,040)		(5,130)	0	0	(5,130)
			(115,998)				
Total Assets less Current Liabilities			1,178,028	658,558	494,251	32,784	1,185,593
Long Term Liabilities							
Long Term creditor PFI		(42,182)		0	(8,593)	(32,058)	(40,651)
Provisions	30	(3,299)		(1,913)	(757)	0	(2,670)
Long Term Borrowing	51	(205,870)		(182,656)	(4,000)	0	(186,656)
Other long term creditors		(625)		(839)	(149)	0	(988)
Pension Fund Liability	38 & 52	(564,942)		(196,085)	(93,964)	0	(290,049)
Planning Deposits		(16,004)		0	(4,010)	0	(4,010)
Government Grants Deferred		(118,907)		(60,601)	(8,197)	(6,536)	(75,334)
Capital Contributions Deferred		(20,632)		(14,572)	(881)	0	(15,453)
Deferred Liability		(1,431)		0	(656)	0	(656)
			(973,892)				
Total Assets less Liabilities			204,136	201,892	373,044	(5,810)	569,126
Financed by							
Revaluation Reserve	53	(104,074)		(62,064)	(11,407)	(19,806)	(93,277)
Capital Adjustment Account	54	(604,826)		(284,475)	(403,866)	24,811	(663,530)
Useable Capital Receipts Reserve	55	(3,016)		(71)	(21,272)	0	(21,343)
Major Repairs Reserve	56	(632)		0	(1,144)	0	(1,144)
Financial Instruments Adjustment Account		3,148		2,885	725	0	3,610
Deferred Capital Receipts		(1,752)		0	(1,900)	0	(1,900)
Pension Reserve	52	564,942		196,085	93,964	0	290,049
General Fund Balance		(13,770)		(4,956)	(8,384)	0	(13,340)
Housing Revenue Account Balance		(12,746)		0	(10,942)	0	(10,942)
Earmarked Reserves	57	(30,753)		(49,296)	(7,240)	0	(56,536)
Collection Fund Adjustment Account		(657)		0	(1,578)	805	(773)
Total Equity	31		(204,136)	(201,892)	(373,044)	5,810	(569,126)



Matthew Tiller

Acting Chief Finance Officer

30 September 2010

Cashflow Statement

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

	NOTES	2009/2010		2008/2009	
		£000	£000	£000	£000
Revenue Activities Net Cash Inflow/ (Outflow)	41		(2,202)		6,934
Servicing of Finance					
Cash outflows					
Interest Paid		9,116		7,797	
Interest element of finance lease rental payments		0		69	
Cash inflows					
Interest received		(1,376)		(3,900)	
			7,740		3,966
Capital Activities					
Cash outflows					
Purchase of fixed assets		101,497		60,203	
Cash inflows					
Sale of fixed assets		(5,416)		(2,518)	
Capital grants received		(53,206)		(32,541)	
Other Capital cash receipts		0		(6,493)	
			42,875		18,651
Net cash outflow/(inflow) before financing			48,413		29,551
Net (decrease) /increase in investments			(34,745)		(13,259)
Repayment of amounts borrowed			0		2,608
Capital element of finance lease rental payments			0		17
Net movement in loans			(15,124)		(5,000)
Decrease/(increase) in cash	43		(1,456)		13,917

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 Acquired & discontinued operations

Following local Government reorganisation, on 1 April 2009 Wiltshire County Council became the continuing authority of the new unitary Wiltshire Council. The assets of the four Districts Councils (Kennet, North Wiltshire, Salisbury and West Wiltshire) have been included in the accounts as acquired assets. All assets have been transferred at carrying balances on the constituent balances sheets.

At 31 March 2009, the net assets of Wiltshire County Council were £201,892,000 and of the acquired assets from the four districts were £373,044,000. This gives a revised opening balance as 1 April 2010 of £574,936,000, before prior year adjustments. (see note 2). Details of the effect on the balance sheet are included below.

	Wiltshire County Council £000	Kennet District Council £000	North Wilts District Council £000	Salisbury District Council £000	West Wilts District Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000
Fixed Assets							
Intangible Assets	10,313	745	0	258	75	1,078	11,391
Operational assets							
- Council dwellings & garages	0	0	0	247,727	2,096	249,823	249,823
- Operational properties and land	409,935	20,615	30,122	45,331	16,938	113,006	522,941
- Vehicles, plant and equipment	6,250	2,763	3,695	6,617	1,168	14,243	20,493
- Infrastructure	193,796	628	2,010	1,903	0	4,541	198,337
- Community assets	0	0	3,246	42	2,180	5,468	5,468
Non-Operating Assets							
Investment properties	7,296	1,282	22,854	8,530	4,737	37,403	44,699
Assets under construction	7,097	0	0	10,562	0	10,562	17,659
Surplus assets held for disposal	142	0	0	0	0	0	142
Total Fixed Assets	634,829	26,033	61,927	320,970	27,194	436,124	1,070,953
Long term debtors	20,206	192	1,276	1,647	98	3,213	23,419
Long Term Investments							
Total Long Term Assets	655,035	26,225	63,203	322,617	27,292	439,337	1,094,372
Current Assets							
Stocks and work in progress	230	212	189	289	0	690	920
Debtors	38,571	6,359	6,649	7,664	9,168	29,840	68,411
Temporary investments	56,549	14,548	24,925	0	1,352	40,825	97,374
Cash and Bank	24,884	80	1,700	6,761	0	8,541	33,425
Total Assets	775,269	47,424	96,666	337,331	37,812	519,233	1,294,502
Current Liabilities							
Creditors	(96,352)	(5,295)	(6,688)	(5,071)	(2,665)	(19,719)	(116,071)
Bank Overdraft	(15,229)	(1,178)	(223)	(99)	(3,763)	(5,263)	(20,492)
Long term loans maturing within 1 year	(5,130)	0	0	0	0	0	(5,130)
Total Assets less Current Liabilities	658,558	40,951	89,755	332,161	31,384	494,251	1,152,809
Long Term Liabilities							
Long Term creditor PFI	0	0	(8,593)	0	0	(8,593)	(8,593)
Provisions	(1,913)	0	0	0	(757)	(757)	(2,670)
Long Term Borrowing	(182,656)	0	(4,000)	0	0	(4,000)	(186,656)
Other long term creditors	(839)	0	0	(149)	0	(149)	(988)
Pension Fund Liability	(196,085)	(17,151)	(25,215)	(25,189)	(26,409)	(93,964)	(290,049)
Planning Deposits	0	0	0	(3,214)	(796)	(4,010)	(4,010)
Government Grants Deferred	(60,601)	0	(4,954)	(2,218)	(1,025)	(8,197)	(68,798)
Capital Contributions Deferred	(14,572)	(881)	0	0	0	(881)	(15,453)
Deferred Liability	0	0	0	(14)	(642)	(656)	(656)
Total Assets less Liabilities	201,892	22,919	46,993	301,377	1,755	373,044	574,936
Financed by							
Revaluation Reserve	(62,064)	0	(2,021)	(9,386)	0	(11,407)	(73,471)
Capital Adjustment Account	(284,475)	(24,588)	(49,861)	(302,188)	(27,229)	(403,866)	(688,341)
Useable Capital Receipts Reserve	(71)	(11,000)	(9,566)	(412)	(294)	(21,272)	(21,343)
Major Repairs Reserve	0	0	0	(1,144)	0	(1,144)	(1,144)
Financial Instruments Adjustment Account	2,885	0	725	0	0	725	3,610
Deferred Capital Receipts	0	(118)	(18)	(1,686)	(78)	(1,900)	(1,900)
Pension Reserve	196,085	17,151	25,215	25,189	26,409	93,964	290,049
General Fund Balance	(4,956)	(862)	(6,503)	(472)	(547)	(8,384)	(13,340)
Housing Revenue Account Balance	0	0	0	(10,942)	0	(10,942)	(10,942)
Earmarked Reserves	(49,296)	(3,220)	(3,551)	(321)	(148)	(7,240)	(56,536)
Collection Fund Adjustment Account	0	(282)	(1,413)	(15)	132	(1,578)	(1,578)
Total Equity	(201,892)	(22,919)	(46,993)	(301,377)	(1,755)	(373,044)	(574,936)

There are no discontinued operations in this year.

Note 2 Exceptional items, extraordinary items and prior year adjustments

Exceptional Items

The Council has incurred exceptional expenditure due to the costs of restructuring in the run up to local government reorganisation. During the year £9,019,000 was spent on the transition and transformation to one Council for Wiltshire. Of this, £7,104,000 related to severance costs incurred during the year.

Summary of Prior Year adjustments

	WCC 31 March 2009 £000	Acquired Services (Districts) £000	Total including Acquired Services £000	PFI Adjustment £000	NNDR Adjustment £000	Collection Fund Adjustment £000	Total Other Prior Year Adjustments £000	Restated Balance Sheet 31 March 2009 £000
Fixed Assets								
Intangible Assets	10,313	1,078	11,391				0	11,391
Operational assets								
- Council dwellings & garages	0	249,823	249,823				0	249,823
- Operational properties and land	409,935	113,006	522,941	54,564			54,564	577,505
- Vehicles, plant and equipment	6,250	14,243	20,493				0	20,493
- Infrastructure	193,796	4,541	198,337				0	198,337
- Community assets	0	5,468	5,468				0	5,468
Non-Operating Assets								
Investment properties	7,296	37,403	44,699				0	44,699
Assets under construction	7,097	10,562	17,659				0	17,659
Surplus assets held for disposal	142	0	142				0	142
Total Fixed Assets	634,829	436,124	1,070,953	54,564	0	0	54,564	1,125,517
Long term debtors	20,206	3,213	23,419	(20,975)			(20,975)	2,444
Long Term Investments	0	0	0				0	0
Total Long Term Assets	655,035	439,337	1,094,372	33,589	0	0	33,589	1,127,961
Current Assets								
Stocks and work in progress	230	690	920				0	920
Debtors	38,571	29,840	68,411		(4,744)	(1,280)	(6,024)	62,387
Temporary investments	56,549	40,825	97,374				0	97,374
Cash and Bank	24,884	8,541	33,425				0	33,425
Total Assets	775,269	519,233	1,294,502	33,589	(4,744)	(1,280)	27,565	1,322,067
Current Liabilities								
Creditors	(96,352)	(19,719)	(116,071)		4,744	475	5,219	(110,852)
Bank Overdraft	(15,229)	(5,263)	(20,492)				0	(20,492)
Long term loans maturing within 1 year	(5,130)	0	(5,130)				0	(5,130)
Total Assets less Current Liabilities	658,558	494,251	1,152,809	33,589	0	(805)	32,784	1,185,593
Long Term Liabilities								
Long Term creditor PFI	0	(8,593)	(8,593)	(32,058)			(32,058)	(40,651)
Provisions	(1,913)	(757)	(2,670)				0	(2,670)
Long Term Borrowing	(182,656)	(4,000)	(186,656)				0	(186,656)
Other long term creditors	(839)	(149)	(988)				0	(988)
Pension Fund Liability	(196,085)	(93,964)	(290,049)				0	(290,049)
Planning Deposits	0	(4,010)	(4,010)				0	(4,010)
Government Grants Deferred	(60,601)	(8,197)	(68,798)	(6,536)			(6,536)	(75,334)
Capital Contributions Deferred	(14,572)	(881)	(15,453)				0	(15,453)
Deferred Liability	0	(656)	(656)				0	(656)
Total Assets less Liabilities	201,892	373,044	574,936	(5,005)	0	(805)	(5,810)	569,126
Financed by								
Revaluation Reserve	(62,064)	(11,407)	(73,471)	(19,806)			(19,806)	(93,277)
Capital Adjustment Account	(284,475)	(403,866)	(688,341)	24,811			24,811	(663,530)
Useable Capital Receipts Reserve	(71)	(21,272)	(21,343)				0	(21,343)
Major Repairs Reserve	0	(1,144)	(1,144)				0	(1,144)
Financial Instruments Adjustment Account	2,885	725	3,610				0	3,610
Deferred Capital Receipts	0	(1,900)	(1,900)				0	(1,900)
Pension Reserve	196,085	93,964	290,049				0	290,049
General Fund Balance	(4,956)	(8,384)	(13,340)				0	(13,340)
Housing Revenue Account Balance	0	(10,942)	(10,942)				0	(10,942)
Earmarked Reserves	(49,296)	(7,240)	(56,536)				0	(56,536)
Collection Fund Adjustment Account	0	(1,578)	(1,578)			805	805	(773)
Total Equity	(201,892)	(373,044)	(574,936)	5,005	0	805	5,810	(569,126)

Prior Year Adjustments - PFI

Following changes to the Code of Practice of Local Authority Accounting for 2009/2010, the assets provided under the council's PFI contracts have been brought onto the Council's balance sheet. The recognition of these fixed assets have been balanced by the recognition of a liability due to the scheme operator over the course of the contract. The adjustments are summarised in the above table. More details of the PFI schemes are included in note 21 to the accounts.

Prior Year Adjustments – NNDR

Following changes to the Code of Practice of Local Authority Accounting for 2009/2010, as a billing authority, the Council no longer recognises NNDR debtors in the balance sheet. Instead, it recognises a creditor for cash collected from NNDR debtors not yet paid to the Government at the balance sheet date. The adjustments are summarised in the above table.

Prior Year Adjustments – Collection Fund

Following changes to the Code of Practice of Local Authority Accounting for 2009/2010, the Council prepares its accounts as the major precepting agent with a requirement to include appropriate shares of the council tax debtors in both the Wiltshire balance sheet and the balance sheet of the major preceptors (police and fire). The adjustments are summarised in the above table.

Note 3 Long-term contracts

The Council has 2 current PFI schemes – North Wilts Schools PFI (inc 6th form units) and Monkton Park offices. Further details of these schemes are found in note 21.

Note 4 Significant trading services

The Council ran no significant trading services during the year.

Note 5 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 6 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 2009/2010.

	2009/2010 Wiltshire Council £000	2008/2009 Total £000
On Street Parking		
Expenditure During the Year	1,398	1,478
Income During the Year	(1,492)	(1,438)
Movement in Year	<u>(94)</u>	<u>40</u>

Note 7 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 £1.026 million in 2009/10 (split between DCS £0.842 million and DCE £0.184 million), with Wiltshire PCT expenditure of £1.558 million, towards a total joint arrangement spend of £2.584 million.

Intermediate Care

In 2006/07 an Intermediate Care S31 Agreement was put in place from 1st 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 2009/10 the value of this provision was £0.665 million, a decrease from £0.881 million in 2008/2009. This difference is due mainly to a proportion of the budget being allocated differently in 2009/10.

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 from 2011/2012 this agreement will see an as yet to be determined amount transfer into WC core funding.

Note 8 General Government Grants

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

	2009/2010 £000	2008/2009 £000
Revenue Support Grant	(18,899)	(8,474)
Area Based Grant	(19,391)	(18,203)
Other General Government Grants	(575)	0
Total	<u>(38,865)</u>	<u>(26,677)</u>

Revenue Support Grant is received from central government on the basis of the Council’s relative needs formula.

Area Based Grant (ABG) is a non-ring fenced grant from central government.

Note 9 Members’ Allowances

The total allowances paid to elected members during 2009/10 were £1.459 million (2008/09 Wiltshire County Council £0.731 million and Acquired Services £1.158 million).

Note 10 Senior Staff 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 £	2009/2010	2009/2010	2008/2009	2008/2009	2008/2009
	Wiltshire Council No. Employees	Wiltshire Council No. Redundancies	Wiltshire County Council No. Employees	Acquired Services No. Employees	Total No. Employees
50,000-54,999	142	8	118	9	127
55,000-59,999	87	6	64	5	69
60,000-64,999	39	4	32	7	39
65,000-69,999	18	2	14	2	16
70,000-74,999	17	2	9	1	10
75,000-79,999	17	4	7	1	8
80,000-84,999	14	4	12	3	15
85,000-89,999	15	4	3	4	7
90,000-94,999	4	3	6	2	8
95,000-99,999	3	2	3	1	4
100,000-104,999	5	2	1	2	3
105,000-109,999	1	1	1	1	2
110,000-114,999	1	0	0	1	1
115,000-119,999	2	1	0	1	1
120,000-124,999	0	0	2	1	3
125,000-129,999	2	0	1	0	1
130,000-134,999	1	0	1	1	2
135,000-139,999	1	1	1	2	3
140,000-144,999	0	0	0	1	1
145,000-149,999	0	0	0	0	0
150,000-154,999	1	1	0	1	1
155,000-159,999	0	0	0	0	0
160,000-164,999	0	0	1	0	1
165,000-169,999	0	0	0	0	0
170,000-174,999	0	0	0	0	0
175,000-179,999	0	0	0	2	2
180,000-184,999	0	0	0	0	0
185,000-189,999	0	0	1	1	2
190,000-194,999	0	0	0	1	1
195,999-199,999	0	0	0	1	1
200,000-204,999	1	1	0	0	0
Other bands:					
250,000-254,999	0	0	1	0	1
460,000-464,999	1	1	0	0	0
TOTAL	372	47	278	51	329

Notes:

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

The Council terminated the employment of 94 employees in 2009/2010 who became entitled to termination payments.

The salary scale point of 38 of these employees was below £50,000 but their termination payments bring them into the reporting range for 2009/2010.

The salary scale point of a further 9 of these 94 employees exceeded the £50,000 threshold.

All 47 employees made redundant are included in the 2009/2010 Number of Employees column.

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 2009/10 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2009/10 £
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 2009/10 annualised salary was £161,324.

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

2008/2009 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 2009/09 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2009/09 £
Chief Executive KRobinson	161,324	0	2,250	0	0	163,574	24,521	188,095
	161,324	0	2,250	0	0	163,574	24,521	188,095

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 2009/10 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2009/10 £
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 B)	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
Head of Finance (Wiltshire County Council) (subnote C)	40,290	0	668	47,168	0	88,126	245,027	333,153
Head of Finance (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 D)	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 B:

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

Subnote C:

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

Subnote D:

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.

2008/2009 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 2008/09	Employers Pension Contributions	Total Remuneration including pension contributions 2008/09
	£	£							
Director Community Services	130,556	0	0	67	0	0	130,623	19,844	150,467
Director of Resources	122,477	0	0	1,940	0	0	124,417	18,616	143,033
Director Children and Education	122,477	0	0	1,348	0	0	123,825	18,616	142,441
Director of Transport and Environment	122,477	0	0	7,490	0	0	129,967	18,616	148,583
Head of Finance (Wiltshire County Council)	88,030	0	0	994	0	0	89,024	13,381	102,405
Head of Finance (Wiltshire Council) (subnote E)	19,715	0	0	0	0	0	19,715	2,997	22,712
Solicitor to Wiltshire County Council	90,842	0	0	0	0	1,211	92,053	13,808	105,861
	696,574	0	0	11,839	0	1,211	709,624	105,878	815,502

Subnote E:

The incoming new Head of Finance for Wiltshire Council commenced work for Wiltshire County Council on 5 January 2009 at an annualised salary of £82,403.

Note 11 Related Party Transactions

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 – during the financial year the pension fund had an average balance of £2.8 million of surplus cash invested by the council. The council paid the fund a total for interest of £12K on these deposits. The council charged the fund £1.022 million for expenses incurred in administering the fund.

During 2009/10 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:

	2009/10 £000	2008/09 £000
Age Concern	0	414
Amesbury Town Council	0	2
Care Limited	0	782
Calne Leisure Centre	76	0
Calne Town Council	113	0
Chippenham Town Council	87	0
Community First	0	464
Devizes Town Council	72	105
Environment Agency	599	0
Jephson Housing Association	1,108	0
Kennet District Council	0	991
Lady Margaret Hungerford Charities	22	0
Local Government Association	0	66
Marlborough Town Council	51	0
North Wilts & Devizes Portage Service	0	75
North Wiltshire District Council	0	564
North Wilts Housing Association	0	469
Salisbury and South Wiltshire Museum	0	32
Salisbury City Council	641	0
Salisbury Diocesan Board of Education	0	116
Salisbury District Community Transport Project	0	50
Salisbury District Council	0	746
Salisbury NHS Trust	263	0
Salisbury Park and Ride	0	29
Salisbury Playhouse	156	25
Selwood Housing Association	14,105	0
The Health Advocacy Partnership	0	208
Tidworth Development Trust	0	71
Trowbridge Town Council	210	81
Westlea Housing Association	14,376	0
West Wiltshire District Council	0	835
West Wiltshire Housing Society Limited	0	903
Wiltshire Archaeology and Natural History	0	19
Wiltshire Blind Association	29	0
Wiltshire County Branch - UNISON	0	162
Wiltshire and Swindon Fire Authority	24	112
Wiltshire Pension Fund	0	137
Wiltshire Police Authority	1,191	1,291
Wiltshire Wildlife Trust	633	347
Wootton Bassett Town Council	93	0
Total	33,849	9,096

Note 12 Audit Fees

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

	2009/2010 £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	436	210	401	611
Fees payable to the Audit Commission in respect of statutory inspection	0	15	8	23
Fees payable to the Audit Commission for certification of grant claims and returns	80	13	122	135
Fees payable to the Audit Commission for other services	0	0	(1)	(1)
Total	516	238	530	768

Note 13 is for Wales only and so is not applicable to Wiltshire Council.

This note heading is retained only to achieve consistency of numbering with the statement of recommended practice.

Note 14 The Statement of Movement on the General Fund Balance

For ease of reference, this has been included with the Income and Expenditure Account earlier in the accounts.

Note 15 Statutory adjustment to income & expenditure account

For ease of reference, this has been included with the Income and Expenditure Account earlier in the accounts.

**Note 16 Summary of Capital expenditure and Sources of Finance
Movement of Fixed Assets 2009/2010**

	Intangible Assets (See note 30) £000	Council Dwellings & Garages £000	Operational Properties & Land £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Non-Operational Assets (See below) £000	Total £000
Cost or Valuation								
At 1 April 2009	10,329	0	425,505	17,956	222,726	0	14,774	691,290
Total Acquired Services	1,857	296,557	120,679	17,316	4,578	5,567	55,594	502,148
Prior year adjustment	0	0	54,564	0	0	0	0	54,564
Revised Opening Balance	12,186	296,557	600,748	35,272	227,304	5,567	70,368	1,248,002
Additions	1,165	4,459	16,871	4,651	8,289	0	55,237	90,672
Disposals	0	(206)	(7,229)	(131)	0	(10)	(3,078)	(10,654)
Revaluations	0	0	13,928	0	0	0	185	14,113
Category Adjustments	0	0	603	0	0	0	(603)	0
At 31 March 2010	13,351	300,810	624,921	39,792	235,593	5,557	122,109	1,342,133
Depreciation and Impairments								
At 1 April 2009	(16)	0	(15,570)	(11,706)	(28,930)	0	(239)	(56,461)
Total Acquired Services	(779)	(46,734)	(7,673)	(3,073)	(37)	(99)	(7,629)	(66,024)
Revised Opening Balance	(795)	(46,734)	(23,243)	(14,779)	(28,967)	(99)	(7,868)	(122,485)
Depreciation/Amortisation	(3,239)	(8,513)	(18,099)	(7,505)	(4,293)	0	0	(41,649)
Impairments	0	32	(39,041)	(12)	0	0	0	(39,021)
Disposals	0	0	0	0	0	0	0	0
Category Adjustments	0	0	0	0	0	0	0	0
At 31 March 2010	(4,034)	(55,215)	(80,383)	(22,296)	(33,260)	(99)	(7,868)	(203,155)
Net Book Value at 31 March 2010	9,317	245,595	544,538	17,496	202,333	5,458	114,241	1,138,978
Net Book Value at 31 March 2009	10,313	0	409,935	6,250	193,796	0	14,535	634,829
Revised Opening Net Book Value	11,391	249,823	577,505	20,493	198,337	5,468	62,500	1,125,517

Non-Operational Assets	Investment Properties £000	Assets under Construction £000	Surplus assets held for disposal £000	Total £000
Original book value	7,470	7,097	207	14,774
Accumulated Depreciation to 1 April 2009	(174)	0	(65)	(239)
Net Book Value 1 April 2009	7,296	7,097	142	14,535
Total Acquired Services	37,403	10,562	0	47,965
Revised Opening Balance	44,699	17,659	142	62,500
Additions in Year	19	55,218	0	55,237
Disposals	(3,012)	0	(66)	(3,078)
Revaluations	185	0	0	185
Depreciation	0	0	0	0
Impairments	0	0	0	0
Category Adjustments	0	(603)	0	(603)
Balance at 31 March 2010	41,891	72,274	76	114,241

Financing of Capital Expenditure

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

	31 March 2010		31 March 2009	
	£000	£000	£000	£000
Opening Capital Financing Requirement		235,798		203,424
Prior Year Adjustment - PFI	53,033			
Capital Investment				
Operational Assets	35,435		39,061	
Non-Operational Assets	55,237		18,066	
Assets Written-Off	0		7,184	
Revenue Expenditure Funded from Capital under Statute	16,652		7,381	
		160,357		71,692
Sources of Finance				
Government Grants and Other Contributions	(57,641)		(27,688)	
Capital Receipts	(23,217)		(1,423)	
Transfer from Capital Reserve	(4,663)		(2,456)	
Assets purchased through Revenue	(84)		(795)	
Minimum Revenue Provision	(9,314)		(7,853)	
Voluntary Revenue Provision	(900)		(994)	
Minimum Revenue Provision - PFI Schemes	(790)		0	
Opening Restatement	0		1,891	
		(96,609)		(39,318)
Closing Capital Financing Requirement		299,546		235,798
Explanation of Movements in the Year				
Increase / (decrease) in underlying need to borrow		11,505		32,374
Effect of bringing the PFI into the balance sheet		52,243		0
Increase / (decrease) in Capital Financing Requirement		63,748		32,374

Note 17 Capital Commitments

The following table shows the Council's significant commitments under capital contracts contracted to be paid after 31 March 2010.

Description	2009/2010	2008/2009
	£000	£000
Melksham Oak School	1,334	12,602
Other School construction projects	2,942	1,249
Wellington Academy	23,847	0
Highways	10,667	11,574
Workplace Transformation Programme	5,909	0
Shrewton Primary School	0	1,133
SAP licenses and development	0	1,600
SDC - Bourne Hill new offices project	0	12,000
NWDC - Calne Phelps Parade Project	0	878
NWDC - Affordable Housing	0	455
WWDC - Chapmanslade Sewerage scheme	0	440
Total	44,699	41,931

Note 18 Further information on the composition of assets included in the Balance Sheet

This statement indicates the broad categories and approximate number of fixed assets held on the asset register owned by Wiltshire Council.

Council Dwellings include:

5372 HRA Properties, 1233 HRA Garages

General Properties include:

22 Office Buildings
 30 Hostels, Respite Units, & Residential Homes
 46 Public Conveniences & Sewage Treatment Works
 2 Household Waste & Recycling Centres
 63 Car Parks
 20 Leisure Centres & Swimming Pools
 13 Cemetery Buildings
 14 Depots and Workshops
 319 Primary Schools Buildings & Mobiles
 114 Secondary Schools Buildings & Mobiles
 37 Special School Buildings & Mobiles
 17 Library Buildings
 72 Farm Buildings
 8 Allotment Sites
 50 Arts, Training, Youth & Community Centre Buildings
 15 Pavilion Buildings

Vehicles and Equipment includes:

80 Waste Collection/Waste Disposal Vehicles	IT Equipment
26 Winter Service Vehicles	Gym Equipment
41 Minibuses & Schools Vehicles	CCTV Equipment
22 Street Cleansing Vehicles	Play Area Equipment
111 Other Vehicles	Refuse & Recycling Plant

Infrastructure items include:

County Roads and Highways
 Pumping Stations
 Flood Drainage Assets
 Footpaths and Streetlights
 Motorways or trunk roads are not held as these are maintained by the Highways Agency.

Community Assets include:

64 Parks, Playing Fields, and Open Spaces	Poultry Cross
8 Cemeteries	War Memorial

Non operational property – Investment properties:

128 Commercial Properties, Land and Garages held for their rental income

Assets under construction include the following ongoing projects:

Melksham Oak Secondary School	Wellington Academy
Petersfinger Park and Ride Scheme	Malmesbury Primary School
Bourne Hill Office Centralisation Scheme	New Highbury Primary School
Salisbury Vision Market Place Refurbishment	
178 Highways Projects and 26 DCE Projects	

Foundation Schools

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

Note 19 Leasing**Finance Leases**

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee

Rentals paid in 2009/2010 and future obligations in respect of finance leases are listed below:

	Principal	Interest
	£000	£000
Amounts payable in 2010/11	30	43
Amounts payable between 2011/12 and 2014/15	120	171
Amounts payable in 2015/16 and after	471	916
	621	1,130
Asset Class		
Land and Buildings	621	1,130

Finance Lease payments in 2009/10	Principal	Interest	Total
	£000	£000	£000
Land and Buildings	30	43	73

Operating leases

An operating lease is a lease that is not a finance lease (see above) and include 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 2009/10	2009/2010
	£000
Plant, vehicles and equipment	964
Operating lease payments due in 2010/11	2010/2011
	£000
Amounts payable where lease expires in 2010/11	175
Amounts payable where lease expires between 2011/12 to 2014/15	1,133
Amounts payable where lease expires in 2015/16 or after	10
	1,318
Asset Class	
Plant, vehicles and equipment	1,318

Note 20 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 21 PFI arrangements**North Wiltshire Schools PFI & additional 6th 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 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 WCC balance sheet. Under SORP 2009 in readiness for the transition to IFRS this PFI is now regarded to be an 'on balance sheet' PFI. Therefore prior year adjustments have been made to the accounts to reflect this change and changes have been made to the 2009/2010 income & expenditure and balance sheet to recognise the new assets and liabilities of the PFI scheme on the balance sheet.

Prior to 2009/2010 the PFI payments were wholly recorded as an operating expense within the net cost of services in the Income and Expenditure Account, for 09/10 an estimate of the amount of this charge 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 MRP 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 £38.6 million. It is the Council's policy to appropriate any surplus of PFI credits to an earmarked PFI sinking fund reserve. The amount of Government funds required to support the PFI contract for a particular year is then appropriated back to the revenue account.

Capital contributions

Under the new SORP 2009 these contributions to the PFI that were retained in the Council's Balance Sheet as a prepayment and amortised to revenue in equal instalments over the life of the project have been written off to reduce the value of the outstanding liability.

The amounts incorporated into the liability comprised the following contributions;

Land owned by the authority at the three schools valued at £9.6 million has been leased to WHEP as part of the contract. A capital contribution of £2.2 million was made to the project by way of a cash payment in 2001/2002 and a further payment of £4.5 million in 2005/2006 when the surplus land at Malmesbury School was sold.

Fair value of asset at end of PFI term

Under the new SORP 2009 the residual interest asset that was being built up in the Balance Sheet as a long term debtor in equal instalments over the life of the PFI has also been written off to reduce the value of the outstanding liability. This transaction was undertaken to reflect the expected fair value of the assets that will transfer to the Council at the end of the PFI contract, now the assets are recognised fully in the 09/10 accounts this treatment is redundant.

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.

As at 31 March 2009 payments totalling £36.9 million have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Period	2009/2010 £000	2008/2009 £000
Within 1-5 years	28,900	28,600
Within 6-10 years	30,900	30,500
Within 11-15 years	33,100	32,700
Within 16-20 years	35,600	35,100
Within 21-25 years	15,200	22,300
Total	143,700	149,200

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

Monkton Park Offices 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 less 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.

Income and Expenditure

The unitary charge (reduced for the share of the finance lease repayment) is payable to the net cost of services and increases over the life of the contract in line with the retail price index, the grant received towards this payment is now a fixed sum. A reserve has been set up to smooth this increase in charges over the contract term.

The payments under the unitary charge over the remaining years for the contract are assessed as follows;

Period	2009/2010 £000	2008/2009 £000
Within 1-5 years	10,410	10,031
Within 6-10 years	12,380	11,914
Within 11-15 years	14,710	14,150
Within 16-20 years	6,630	9,735
Within 21-25 years	0	0
Total	44,130	45,830

Note 22 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, Bruton Knowles, 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 external valuers certified a value of £87.030m for the value of the assets revalued as part of the rolling programme.

As part of the rolling programme of valuations the work carried out during 09/10 does not cover all of the authorities land and building assets. The authority is not aware of any material change in the value of the remaining assets. A full revaluation of all operational and non-operational land and buildings will be undertaken in 2010/2011.

The following table shows the split of valuations

	Intangible Assets	Council Dwellings & Garages	Operational Properties & Land	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Non-Operational Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	9,317	0	3,531	17,496	202,333	5,458	58,793	296,928
Valued at current value in:								
2009/2010	0	0	101,595	0	0	0	0	101,595
2008/2009	0	243,571	157,822	0	0	0	31,478	432,871
2007/2008	0	2,024	105,023	0	0	0	3,533	110,580
2006/2007 and Previous years	0	0	176,566	0	0	0	20,438	197,004
Book Value at 31 March 2010	9,317	245,595	544,537	17,496	202,333	5,458	114,242	1,138,978

Note 23 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 fixed assets for 2009/2010 is £38,409,786. This is added to the amortisation of intangible assets of £3,239,083 to give total depreciation/ amortisation for year of £41,648,868 shown in note 16.

Note 24 Changes in Depreciation Methodologies

Due to the Local Government Reorganisation the depreciation methodologies of the 5 former councils have been merged and amended. The details of the current methodology can be found in note 23.

Note 25 Intangible Fixed assets

The intangible assets held by Wiltshire Council include the Corporate Management Information System software and other software packages. A breakdown is below.

	Purchased Software Licences £000
Original book value	10,329
Amortisations to 1 April 2009	(16)
Net Book Value 1 April 2009	10,313
Total Aquired Services	1,078
Balance at 1 April 2009	11,391
Expenditure in Year	1,165
Amortisations in Year	(3,239)
Impairments	0
Balance at 31 March 2010	9,317

Note 26 Information about Amortisation

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

The total amortisation charged for the assets for 2009/2010 is £3,239,083.

Note 27 Net Assets Employed

The net assets employed by the Council are analysed below:

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
General Fund	56,142	(201,892)	(109,999)	5,810	(306,081)
Housing Revenue Account	(260,278)	0	(263,045)	0	(263,045)
Total	<u>(204,136)</u>	<u>(201,892)</u>	<u>(373,044)</u>	5,810	<u>(569,126)</u>

The overall net asset position reflects the assets and liabilities used in the council. The main reason for the balance on the general fund is the movement in the pension liability which is required under the SORP. Further information on the movement in the year is included in the note relating to the statement of total recognised gains and losses.

Note 28 Related Companies

The Council has no interest in any related, subsidiary or associated companies.

Note 29 Insurance Provisions

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 2009/10 is made up of 13 claims totalling £0.200 million. The provision levels are set in the following ways:-

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

The 13 claims consisted of a mixture of Public and Employers Liability claims and own Property claims.

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

Note 30 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.

Provision	Purpose	2008/2009	Acquired	Total including	Movement	2009/2010
		Wiltshire County Council	Services (Districts)	Acquired Services	in 2009/2010	Wiltshire Council
		£000	£000	£000	£000	£000
S.117 Mental Health Act 1983	Reimbursement of contribution fee	(64)	0	(64)	64	0
Accounting & Budget Support Trading	To offset future loss of income due to school closures	(54)	0	(54)	54	0
Malmesbury YDC- lease provision	To cover dilapidations on 25 year lease	(60)	0	(60)	0	(60)
Marlborough YC	Provision for joint use of premises with DCS	(60)	0	(60)	0	(60)
Connexions	To cover dilapidations at various premises, variations in grant levels, restructure costs	(244)	0	(244)	244	0
Substance Misuse	TUPE costs for AWP FLUX	(58)	0	(58)	58	0
Transformation Fund	Provision to provide capacity for DCE reorganisation	(30)	0	(30)	30	0
Voice & Influence	To provide continuation of Positive Engagement Activities service	(180)	0	(180)	60	(120)
Udinton	Maintenance of building and specialist fees for feasibility study for new Conference Centre	(20)	0	(20)	20	0
Calne Northern Distributor Road Compensation Claims	Compensation to be paid to owners following construction of Calne Northern Distributor Road	(650)	0	(650)	0	(650)
Insurance Claims	See Note 29 on Insurance Provisions	(166)	0	(166)	(35)	(201)
Payroll	Payment to software supplier in dispute	(207)	0	(207)	142	(65)
Magistrates Courts	Awaiting decision from Lord Chancellor's Dept	(85)	0	(85)	0	(85)
ESD Legal Costs	To provide for potential legal costs for various reasons	0	0	0	(100)	(100)
Spatial Planning	To provide for potential increases in expenditure dependent upon progress of local plans	0	0	0	(514)	(514)
Other Provisions	Various provisions of small value	(35)	0	(35)	35	0
Vitesse	To provide against potential court costs arising from a business rates arrears court case	0	0	0	(203)	(203)
Community Sports Network	ex WWDC provision in relation to sports development	0	(17)	(17)	17	0
Pay Reform Single Status	To provide against possible claims by employees for arrears of pay under equal pay legislation	0	(610)	(610)	(469)	(1,079)
Historic Buildings	To provide for repairs to historic buildings	0	(19)	(19)	(4)	(23)
Rent Deposits	Rent deposits held which may be payable to landlords upon tenancy expiry	0	(79)	(79)	(28)	(107)
Homelessness Court Desk	To provide for a homelessness court desk for Trowbridge Court	0	(5)	(5)	0	(5)
Village Halls	To provide for costs in relation to the building of village halls	0	(27)	(27)	0	(27)
Total		(1,913)	(757)	(2,670)	(629)	(3,299)

Note 31 Reserves

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

Reserve	Note	Wiltshire CC Balance at 01/04/2009 £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000	Movements In Year £000	Wiltshire Council Balance at 31/03/2010 £000	Purpose of Reserve
Revaluation Reserve	53	(62,064)	(11,407)	(19,806)	(93,277)	(10,797)	(104,074)	Store of gains on revaluation of fixed assets not yet realised by sales
Capital Adjustment Account	54	(284,475)	(403,866)	24,811	(663,530)	58,704	(604,826)	Store of capital resources set aside to meet past expenditure
Useable Capital Receipts	55	(71)	(21,272)	0	(21,343)	18,327	(3,016)	Proceeds of fixed assets sales available to meet future capital investment
Major Repairs Reserve	56	0	(1,144)	0	(1,144)	512	(632)	Resources available to meet capital investment in council houses
Financial Instruments Adjustment Account		2,885	725	0	3,610	(462)	3,148	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Deferred capital receipts		0	(1,900)	0	(1,900)	148	(1,752)	Capital income yet to be received for
Pensions Reserve	52	196,085	93,964	0	290,049	274,893	564,942	Balancing account to allow inclusion of Pensions Liability in the balance sheet
General Fund		(4,956)	(8,384)	0	(13,340)	(430)	(13,770)	Resources available to meet future running costs for non-housing services
Housing Revenue Account		0	(10,942)	0	(10,942)	(1,804)	(12,746)	Resources available to meet future running costs for council houses
Earmarked Reserves	57	(49,296)	(7,240)	0	(56,536)	25,783	(30,753)	Other ring fenced resources available for specific areas
Collection Fund Adjustment Account		0	(1,578)	805	(773)	116	(657)	
Total Equity	27	(201,892)	(373,044)	5,810	(569,126)	364,990	(204,136)	

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.

Note 32 Contingent Liabilities and Assets

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 no material contingent liabilities.

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 2010 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 claim 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 £1.3 million.

Note 33 Authorisation of Accounts for Issue

These accounts were considered and authorised by the Audit Committee of Wiltshire Council on the 30 June 2010. The final, audited version of these accounts will be considered and approval sort from the Audit Committee at its meeting on 30th September 2010.

Note 34 Post Balance Sheet Events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%

Note 35 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 fund were bought forward as below:

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000
Charity of William Llewellyn Palmer	1,431	1,055	0	1,055
Withy Trust	227	163	0	163
Edwin Young Collection	359	532	0	532
John Creasey Museum	171	123	0	123
William 'Doc' Couch	4,058	3,250	0	3,250
Westbury Public Baths	665	0	679	679
King George V Playing Field	291	0	297	297
Other Miscellaneous Funds	266	226	0	226
	7,468	5,349	976	6,325

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

	Balance 31 March 2010 £000	Income £000	Loss on expenditure £000	Balance revaluation £000	Balance 31 March 2009 £000
Charity of William Llewellyn Palmer	1,431	50	(55)	381	1,055
Withy Trust	227	8	(7)	63	163
Edwin Young Collection	359	12	(18)	(167)	532
John Creasey Museum	171	56	(50)	42	123
William 'Doc' Couch	4,058	111	(124)	821	3,250
Westbury Public Baths	665	94	(108)	0	679
King George V Playing Field	291	27	(33)	0	297
Other Miscellaneous Funds	266	13	(14)	41	226
	7,468	371	(409)	1,181	6,325

The Trust Fund Assets were valued at 31 March 2010 and the external investments were:

Trust Fund Assets	Market Value 31 March 2010 £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000
Government Fixed Interest	1	1	0	1
Managed Funds - Bonds	1,239	1,020	0	1,020
Managed Funds - Equities	4,087	2,765	0	2,765
Property	1,426	458	976	1,434
Cash	293	453	0	453
Hedge Funds	353	346	0	346
Debtors/(Creditors)	24	13	0	13
Other	45	293	0	293
	7,468	5,349	976	6,325

Note 36 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 2009/2010 are as follows

	Expenditure 2009/2010 £000	Schools Budget 2009/2010 £000	2009/2010 £000	2008/2009 £000
Final DSG for 2009/2010	33,253	209,926	243,179	237,385
Bought forward from 2008/2009 (overspend)	(193)	0	(193)	0
Budget adjustment bought forward from 2008/2009	55	0	55	(55)
Carry forward to 2010/2011 agreed in advance	0	0	0	0
Agreed budget distribution (less net overspend from 2008/2009 to be recovered)	33,115	209,926	243,041	237,330
Actual Central expenditure	33,019	0	33,019	32,701
Actual ISB deployed to schools	0	209,926	209,926	204,822
Local authority contribution from 2009/2010	0	0	0	0
Carried forward to 2010/2011 (underspend)	(96)	0	(96)	193

Note 37 Amounts due to & from related parties

No specific provision for bad debts is held for these amounts although they have been included in the Council's overall bad debt provision.

Note 38 Pension Fund Disclosures**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 2007.

In 2009/10, pension costs have been charged to the Income and Expenditure Account on the basis required by FRS 17, contributions payable to the Wiltshire Council pension scheme are based on an actuarial valuation at 31 March 2010.

The estimated employer contributions for the year to 31 March 2011 will be approximately £26.282 million.

The amounts determined by the actuary to be charged to the revenue account under FRS17 were as follows:

	Year to 31 March 2010	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2009
	£000	% of Payroll	£000	% of Payroll
Current Service Costs	14,331	11.2%	14,278	13.2%
Interest Costs	48,967	38.2%	33,771	31.3%
Expected return on Employer Assets	(26,589)	(20.7%)	(25,399)	(23.5%)
Past Service Costs	219	0.2%	4,061	3.8%
Losses on Curtailments and Settlements	5,138	4.0%	508	0.5%
Total Recognised in Profit and Loss	42,066	32.9%	27,219	25.3%
Actual Return on Plan Assets	139,598		(80,362)	

These FRS17 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 2010 are as follows:

Local Government Pension Scheme	Wiltshire County Council	
	31 March 2010 £000	31 March 2009 £000
Fair Value of Employer Assets	558,637	286,896
Present Value of Funded Liabilities	(1,059,501)	(443,893)
Net (Under)/Overfunding in Funded Plans	(500,864)	(156,997)
Present value of Unfunded Liabilities	(64,078)	(39,089)
Unrecognised Past Service Cost	0	0
Net Asset/(Liability)	(564,942)	(196,086)
Amount on balance sheet		
Liability	(564,942)	(196,086)
Asset	0	0
Liability Amount in Balance Sheet	(564,942)	(196,086)

A more detailed breakdown is included in note 52

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 2010 % per annum	31 March 2009 % per annum
Inflation/ Pension Increase Rate	3.8%	3.1%
Salary Increase Rate	5.3%	4.6%
Expected Return on Assets	7.0%	3.1%
Discount Rate	5.5%	6.9%

Assumptions on Mortality Rates

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

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

Year Ended	Prospective Pensioners Year of birth, medium cohort and 1% pa minimum improvements from 2007	Pensioners Year of birth, medium cohort and 1% pa minimum improvements from 2007
31 March 2010	calendar year 2033	calendar year 2017
31 March 2009	calendar year 2033	calendar year 2017
31 March 2008	calendar year 2017	calendar year 2004
31 March 2007	calendar year 2004	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 2010 % per annum	31 March 2009 % per annum	31 March 2010 £000	31 March 2009 £000
Equities	7.8%	7.7%	396,632	177,876
Bonds	5.0%	5.7%	89,382	65,986
Property	5.8%	5.7%	50,277	25,821
Cash	4.8%	4.8%	22,346	17,214
Total			558,637	286,897

Amount to be charged to operating profit

Year Ended	31 March 2010	
	£000	% of Payroll
Projected Current Service Cost	28,670	22.6%
Interest on Obligation	61,779	49.0%
Expected Return on Plan Assets	(39,123)	(30.9%)
Past Service Cost	0	0.0%
Losses/ (Gains) on Curtailments and Settlements	0	0.0%
Total	51,326	40.7%

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 2010 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000	Year Ended 31 March 2006 £000
Fair Value of Employer Assets	558,637	286,896	355,074	369,946	322,361
Present Value of Defined Benefit Obligation	(1,123,579)	(482,981)	(486,066)	(516,842)	(509,211)
Surplus/ (Deficit)	(564,942)	(196,085)	(130,992)	(146,896)	(186,850)
Experience Gains/ (Losses) on Assets	113,009	(105,761)	(50,647)	(5,204)	43,257
Experience Gains/ (Losses) on Liabilities	(4,274)	1,503	(7,073)	19,395	6,687

The actuarial gains or losses recognised in the Statement of Total Recognised Gains and Losses for the current and previous accounting periods, and the cumulative actuarial gains and losses are shown below:

	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000	Year Ended 31 March 2007 £000	Year Ended 31 March 2006 £000
Actuarial Gains/(Losses)	(256,864)	(62,047)	13,879	42,046	(2,874)
Increase/ (Decrease) in Irrecoverable Surplus from membership	0	0	0	0	0
Total Actuarial Gains/(Losses) recognised in the STRGL	(256,864)	(62,047)	13,879	42,046	(2,874)
Cumulative Actuarial Gains/(Losses)	(330,260)	(73,396)	(11,349)	(25,228)	(67,274)

Further information can be found in the Wiltshire Pension Fund annual report 2008/09 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 39 Other pension schemes

The Council does not participate in any other defined benefit schemes and has no defined contribution schemes.

Note 40 Teachers pension scheme

In 2009/10 the Council paid £19.25 million to the Department for Education and Skills in respect of teachers' pension costs which represents 14.1% of teachers' pensionable pay. In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £2.18 million.

Note 41 Cash Flow Revenue Reconciliation

	2009/2010		2008/2009	
	£000	£000	£000	£000
(Surplus)/deficit for year:				
- General Fund	(430)		5,521	
- Housing Revenue Account	(1,804)		0	
- Earmarked Reserves	25,783		1,376	
		23,549		6,897
Movement in capital	(23,402)		(18,158)	
Minimum Revenue Provision	(3,429)		8,847	
Government Grants Deferred	1,772		2,243	
Movement in other balances	(937)		12,131	
		(25,996)		5,063
Interest Paid	(9,116)		(5,159)	
Interest received	1,376			
		(7,740)		(5,159)
Changes to:				
- creditors	7,465		(2,029)	
- stocks and work in progress	(107)		19	
- debtors	627		2,143	
		7,985		133
		(2,202)		6,934

Note 42 Cash Flow Movements in Other Current Assets

	Balance	Movement	Balance
	31/3/2009	2009/2010	31/3/2010
	£000	£000	£000
Cash in Hand / (Overdrawn)	12,933	(1,456)	14,389
Long Term Investments	0	(5,003)	5,003
Short Term Investments	97,374	39,748	57,626
Long term loans maturing within 1 year	(5,130)	(4,090)	(1,040)
Long term borrowing	(186,656)	19,214	(205,870)
Net Debt	(81,479)	48,413	(129,892)

Note 43 Cash Flow Movements in Cash and Cash Equivalents

	Balance	2009/2010	Balance
	Sheet	Movement	Sheet
	31/3/2009		31/3/2010
	£000	£000	£000
Cash and Bank	33,425	7,465	25,960
Cash Overdrawn	(20,492)	(8,921)	(11,571)
Movements in cash	12,933	(1,456)	14,389

Note 44 Cash Flow Cash and Cash Equivalents

The authority includes in cash and cash equivalents its bank accounts, including overdrafts and cash floats.

Note 45 Cash Flow Capital Expenditure and Income

Capital expenditure in the Cash Flow Statement differs from that in the notes to the Balance Sheet as it has been adjusted by the creditors amount to give the cash flow value.

Note 46 Cash Flow Other Government Grants

The main Government Grants received are as follows:

	2009/2010 £000	2008/2009 £000
Standards Fund	(19,860)	(35,874)
Schools Standards Grant	(13,832)	(13,759)
Learning & Skills Council	(23,160)	(21,903)
Sure Start & Early Years	(7,119)	(3,985)
Dedicated Schools Grant	(243,179)	(237,385)
Area Based Grant	(19,391)	(18,203)
PFI	(6,774)	(3,251)
Supporting People	(8,175)	(8,175)
Other Government Grants	(6,026)	(16,872)
	(347,516)	(359,407)

Note 47 Long Term Debtors

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Mortgages	1,602	0	1,864	0	1,864
Long Term Loans to Staff	53	4	78	0	82
Private Finance Initiative (PFI)	0	7,617	0	(7,617)	0
Other Long Term Loans	977	151	1,271	(924)	498
PFI Capital Contribution	0	12,434	0	(12,434)	0
Total Long Term Debtors	2,632	20,206	3,213	(20,975)	2,444

Note 48 Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2010 but not received at that date.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Other Local Authorities	2,706	0	1,575	(208)	1,367
Government Departments	26,511	6,786	9,069	(532)	15,323
Business Rates and Local Taxation	8,462	0	13,918	(6,303)	7,615
Tenants	910	0	855	0	855
Sundry Debtors	20,671	20,586	6,471	0	27,057
Payments in Advance	8,714	11,685	3,145	0	14,830
Total Debtors	67,974	39,057	35,033	(7,043)	67,047
Less: provision for bad debts					
General Fund debtors	(2,384)	(486)	(1,899)	0	(2,385)
Housing Rent arrears	(732)	0	(684)	0	(684)
Council Tax arrears	(1,844)	0	(1,875)	284	(1,591)
NINDR arrears	0	0	(735)	735	0
Total Bad Debt provisions	(4,960)	(486)	(5,193)	1,019	(4,660)
Net Debtors	63,014	38,571	29,840	(6,024)	62,387

Note 49 Cash In Hand

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

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Cash & Bank	280	118	7,268	0	7,386
PFI Sinking Fund	1,404	0	1,273	0	1,273
Schools' bank accounts	24,276	24,766	0	0	24,766
	25,960	24,884	8,541	0	33,425

Note 50 Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2010 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Other Local Authorities	(2,258)	0	(1,650)	95	(1,555)
Government Departments	(8,193)	(22,553)	(6,820)	3,761	(25,612)
Sundry Creditors	(76,988)	(40,317)	(4,796)	19	(45,094)
Receipts in Advance	(15,948)	(33,482)	(6,453)	1,344	(38,591)
	(103,387)	(96,352)	(19,719)	5,219	(110,852)

Note 51 Long term borrowing

An analysis of loans by maturity is as follows:

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Maturing within 1 year	(1,040)	(5,130)	0	0	(5,130)
Maturing in 1 to 2 years	(15)	(15)	0	0	(15)
Maturing in 2 to 5 years	(2,057)	(48)	0	0	(48)
Maturing in 5 to 10 years	(4,031)	(32)	0	0	(32)
Maturing in more than 10 years	(199,767)	(182,561)	(4,000)	0	(186,561)
Total Maturing over 1 year	(205,870)	(182,656)	(4,000)	0	(186,656)
Total Long Term Loans	(206,910)	(187,786)	(4,000)	0	(191,786)

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

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Other Prior year Adjustments £000	Total including Acquired Services £000
Total outstanding at 31st March					
Lenders					
Public Works Loans Board	(145,099)	(130,125)	0	0	(130,125)
Money Market	(61,811)	(57,661)	(4,000)	0	(61,661)
	(206,910)	(187,786)	(4,000)	0	(191,786)

Note 52 Movement in Pension Surplus/ Deficit during the year

The movement in the liabilities in the Pension Fund are as follows:

	Year Ended 31 March 2010 £000	Wiltshire County Council Year Ended 31 March 2009 £000
Opening Defined Benefit Obligation	482,981	486,066
Current service cost	14,331	14,278
Interest Cost	48,967	33,771
Contributions by Members	8,403	6,887
Actuarial gains/(losses)	369,873	(43,715)
Past Service Costs/ (Gains)	219	4,061
Losses/ Gains on Curtailments	4,874	508
Liabilities Extinguished on Settlements	(2,804)	0
Liabilities Assumed in a Business Combination	234,007	0
Estimated Unfunded Benefits Paid	(3,443)	(2,545)
Estimated Benefits Paid	(33,830)	(16,330)
Closing Defined Benefit Obligation (A)	1,123,578	482,981
	Year Ended 31 March 2010 £000	Wiltshire County Council Year Ended 31 March 2009 £000
Opening Fair Value of Employer Assets	286,896	356,858
Expected Return on Assets	26,589	23,614
Contributions by Members	8,403	6,887
Contributions by the Employer	20,592	21,628
Contributions in respect of Unfunded Benefits	3,443	2,545
Actuarial gains/(losses)	113,009	(105,761)
Assets Distributed on Settlements	(3,067)	0
Assets Acquired in a Business Combination	140,044	0
Unfunded Benefits Paid	(3,443)	(2,545)
Benefits Paid	(33,830)	(16,330)
Closing Fair Value of Employer Assets (B)	558,636	286,896
TOTAL MOVEMENT IN DEFICIT (A-B)	564,942	196,085

Note 53 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

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000
Revaluation in Year	(14,256)	(9,579)
Impairment of previously revalued assets	143	0
Depreciation adjustment on revalued assets	2,284	0
Disposals of fixed assets	1,032	0
Movement in Year	(10,797)	(9,579)
Balance at 1 April - Wiltshire County Council	(62,064)	(52,485)
Acquired Services -Districts	(11,407)	
Prior Year Adjustment PFI	(19,806)	
Revised opening balance	(93,277)	
Balance at 31 March	(104,074)	(62,064)

Note 54 Capital Adjustment Account

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

	2009/2010 Wiltshire Council		2008/2009 Wiltshire County Council
	£000	£000	£000
Capital financing			
- capital receipts	(23,217)		(2,384)
- Major Repairs Reserve	(4,432)		
- reserves			(3,052)
- revenue	(4,747)		(795)
- government grants deferred	(2,558)		(2,243)
		(34,954)	
Depreciation		41,649	0
Revenue Expenditure Funded from Capital under Statute		16,652	7,381
Minimum Revenue Provision		(11,004)	0
Deferred consideration for PFI Scheme		0	(387)
Impairment of Fixed Assets		39,021	10,347
Disposal of Fixed Assets		9,624	1,324
Depreciation adjustment on revalued assets		(2,284)	5,541
Total (increase)/decrease in amounts set aside to finance capital investment		58,704	15,732
Balance at 1 April - Wiltshire County Council		(284,475)	(300,207)
Acquired Services -Districts		(403,866)	
Prior Year Adjustment PFI		24,811	
Revised opening balance		(663,530)	
Balance at 31 March		(604,826)	(284,475)

Note 55 Useable Capital Receipts Reserve

	2009/2010 Wiltshire Council		2008/2009 Wiltshire County Council
	£000	£000	£000
Amounts Receivable in year			
- disposal of land and buildings	(5,301)		0
- Housing Pooled Capital Receipt	(683)		0
		(5,984)	0
Amounts applied to finance new capital investment in year			
- capital receipts utilised	23,217		0
- capital receipts utilised City Area	411		0
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	683		0
		24,311	0
Movement in Year		18,327	0
Balance at 1 April - Wiltshire County Council		(71)	(71)
Acquired Services -Districts		(21,272)	
Revised opening balance		(21,343)	
Balance at 31 March		(3,016)	(71)

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.

	2009/2010 Wiltshire Council £000	2008/2009 Wiltshire County Council £000
Transfer to Capital	4,432	0
Additional resources	(491)	0
HRA Depreciation	(8,479)	0
Transfer to HRA	5,050	0
Movement in Year	512	0
Balance at 1 April - Wiltshire County Council	0	0
Acquired Services -Districts	(1,144)	
Revised opening balance	(1,144)	
Balance at 31 March	(632)	0

Note 57 Earmarked Reserves

Apart from the Housing Revenue Account, which is solely for housing, the Local Government Act 1988 allows the Council only one revenue account, its General Fund. For good financial management however, it is desirable to earmark specific reserves within the fund.

Reserve	2008/2009 Wiltshire County Council £000	Acquired Services (Districts) £000	Total including Acquired Services £000	Movement in 2009/2010 £000	2009/2010 Wiltshire Council £000
Capital Revenue Reserve	(6,163)	0	(6,163)	4,663	(1,500)
PFI Reserve	(4,251)	0	(4,251)	0	(4,251)
Insurance Reserve	(6,019)	0	(6,019)	0	(6,019)
Treasury Reserve	(298)	0	(298)	298	0
Locally Managed Schools' Balances - to be spent on educational :	(19,605)	0	(19,605)	2,180	(17,425)
Closed Schools Balances	(68)	0	(68)	0	(68)
Department of Resources	(750)	0	(750)	750	0
Environmental Services Department	(1,245)	0	(1,245)	1,245	0
OWTP Reserve	(339)	0	(339)	111	(228)
Redundancy Reserve	(628)	0	(628)	628	0
Sickness Insurance Scheme	(1,897)	0	(1,897)	787	(1,110)
Free School Meals Reserve	(59)	0	(59)	0	(59)
Libraries Operating Reserves	(147)	0	(147)	96	(51)
Delayed Transfer of Care	(400)	0	(400)	400	0
VAT Income Reserve	(241)	0	(241)	241	0
One council for Wiltshire reserve	(7,186)	0	(7,186)	7,186	0
General Earmarked Reserves ex-Kennet	0	(3,220)	(3,220)	3,220	0
General Earmarked Reserves ex-North Wiltshire	0	(3,551)	(3,551)	3,551	0
General Earmarked Reserves ex-Salisbury	0	(321)	(321)	321	0
Housing PFI (ex-West Wiltshire)	0	(106)	(106)	106	0
Housing Preferred Development Partners (ex-West Wiltshire)	0	(42)	(42)	0	(42)
Total	(49,296)	(7,240)	(56,536)	25,783	(30,753)

Note 58 Cash Overdrawn

The Council main bank accounts show a cash overdrawn position of £11.571 million at 31 March 2010 (31 March 2009: Wiltshire County Council £15.229 million). This is largely due to is due to unrepresented cheques and BACS payments and uncleared cheques deposited on 31 March 2010 as well as other timing differences.

Note 59 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.

Class	Fair Value	Carrying Amount
Long Term Investments	5,002,920	5,002,920
Short Term Investments	57,626,309	57,626,171
Total Investments	62,629,229	62,629,091
Trade Debtors		
Total Financial Assets	62,629,229	62,629,091

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 2010, 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 Statement of Recommended Practice (SORP) 2009, at the PWLB's new borrowing rate as at 31 March 2010. There is an alternative valuation, as used by PWLB, being the premature repayment rate, which results in a different fair value. SORP 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	67,961,314	61,810,995
PWLB Loans	140,365,839*	145,098,753
Total Value	208,327,153	206,909,748
Trade Creditors		
Bank Overdraft		
Total Financial Liabilities	208,327,153	206,909,748

*PWLB have produced a fair value figure of loans outstanding based on a premature repayment rate, which is £147,999,373.

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

	Fair Value (at Discount/ Market Rate plus 1%)
Investments/Loans	
Long Term Investments	5,002,920
Short term Investments	57,625,428
Total Investments Value	62,628,348
Trade Debtors	
Total Financial Assets	62,628,348
Market Loans	55,592,369
PWLB Loans	121,173,075
Total Loans Value	176,765,444
Trade Creditors	
Bank Overdraft	
Total Financial Liabilities	176,765,444

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 2010). Where there is an increase in the discount rates this will increase discounts receivable and reduce premiums payable on early repayment of loans.

Note 60 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 the Council has received three interim dividends from Heritable bank (no repayments have yet been received from Landsbanki) and the investments are, along with all other deposits, subject to litigation 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%	1,385,505	1,049,357	565,138
Heritable Bank (2)	24/09/2008	14/10/2008	3,000,000	6.00%	1,385,505	1,049,357	565,138
Heritable Bank (3)	25/09/2008	28/10/2008	2,000,000	6.00%	923,518	699,571	376,910
Heritable Bank (4)	07/09/2008	10/10/2008	1,000,000	5.42%	463,390	349,786	186,825
Landsbanki	04/06/2008	02/03/2009	3,000,000	6.10%	2,290,241	0	709,759

The impairment has been adjusted in 2009/10 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. The Council has subsequently received three interim dividends of principal totalling £3,148,070, bringing the total dividend paid to date to 34.98% 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 2010. 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
June 2010	5.00%	September 2011	5.00%
September 2010	5.00%	December 2011	5.00%
December 2010	5.00%	March 2012	5.00%
March 2011	5.00%	June 2012	5.00%
June 2011	5.00%	September 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 2010:

Date	Repayment Percentage	(1)	(2)	(3)	(4)
June 2010	5.00%	150,296	150,296	100,181	50,267
September 2010	5.00%	150,296	150,296	100,181	50,267
December 2010	5.00%	150,296	150,296	100,181	50,267
March 2011	5.00%	150,296	150,296	100,181	50,267
June 2011	5.00%	150,296	150,296	100,181	50,267
September 2011	5.00%	150,296	150,296	100,181	50,267
December 2011	5.00%	150,296	150,296	100,181	50,267
March 2012	5.00%	150,296	150,296	100,181	50,267
June 2012	5.00%	150,296	150,296	100,181	50,267
September 2012	5.00%	150,296	150,296	100,181	50,267

Landsbanki Islands hf

Landsbanki was an Icelandic bank, which was placed in administration on 7 October 2008. The Council has yet to receive any repayments and the outstanding deposits are currently subject to litigation proceedings through the Icelandic courts as a result of objections lodged relating to the Winding-up Boards (WUB) decision to treat local authority deposits as having 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 WUB decision. Taking this into account, the following assumptions have been made in respect of the timing of recoveries:

Date	Repayment	Date	Repayment
October 2011	22.17%	October 2015	8.87%
October 2012	8.87%	October 2016	8.87%
October 2013	8.87%	October 2017	8.87%
October 2014	8.87%	October 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 2010:

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

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

Bank	Credited in 2009/2010	Received in 2009/2010
Heritable Bank (1)	113,936	0
Heritable Bank (2)	113,936	0
Heritable Bank (3)	75,945	0
Heritable Bank (4)	34,758	0
Landsbanki	160,044	0

Note 61 Financial Instrument Adjustment Account (FIAA)

Regulations issued in March 2009 allow the Authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with regulations. The following additional amounts have been transferred to the Financial Instruments Adjustment Account in 2009/2010 under these regulations:

Bank	Amount Transferred to the Financial Instruments Adjustment Account
Heritable Bank (1)	(290,003)
Heritable Bank (2)	(290,003)
Heritable Bank (3)	(193,418)
Heritable Bank (4)	(88,036)
Landsbanki	260,885

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 Financial Instruments Adjustments Account with interest earned until such time as the balance has been transferred to the General Fund. The Council estimates that the following credits will be made to the FIAA:

Bank	Balance on FIAA at 31 March 2010	Transfers During 2010/2011	Balance on FIAA at 31 March 2011
Heritable Bank (1)	565,138	(565,138)	0
Heritable Bank (2)	565,138	(565,138)	0
Heritable Bank (3)	376,910	(376,910)	0
Heritable Bank (4)	186,825	(186,825)	0
Landsbanki	709,759	(709,759)	0

Note 62 Nature and Extent of risks arising from Financial Instruments

Risk

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 2010/2011 was approved by the Council at its meeting on 23 February 2010 and is available from the Council's Website under committee papers relating to the Cabinet meeting on 11 February 2010, agenda item number 6d on page 75 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

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 Councils 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 %
NA	NA	AAA - Max £15 million	Money Market Funds	0-2 Years	26.26	16.84
United Kingdom	AAA	F1+/AA - Max £15 million	UK Banks	0-1 Year	8.00	8.00
United Kingdom	AAA	F1+/AA - Max £15 million	UK Banks	0-6 Months	3.53	1.79
United Kingdom	AAA	F1+/AA - Max £15 million	UK Banks	0-3 Months	23.08	23.08
United Kingdom	AAA	Government Backed - Max £	UK Banks	0-1 Year	11.75	11.75
United Kingdom	AAA	No Rating	UK Building Societies	NA	1.54	1.54
Sweden	AAA	F1+/A+ - Max £8 million	Overseas Banks	0-1 Year	12.23	12.23
UK Subsidiary (Iceland)		No Rating	Overseas Banks	NA	13.61	9.00
					100.00	

The above table is based on credit ratings as at 31 March 2010 and includes investments with a UK building society and Icelandic banks that did not have credit ratings at that date. The building society investment was placed by the former North Wiltshire District Council under its approved Investment Strategy and credit rating policy prior to Wiltshire Council becoming a unitary authority, the maturity of which took place after 31 March 2010. The Icelandic bank investments were still outstanding at that date.

UK banks include UK subsidiaries, the parent banks of which are based in Australia (Sovereign rating AA+) and Spain (Sovereign rating AAA). Investments in UK institutions, including the UK subsidiaries, make up 48% of the Council's total outstanding investments at 31 March 2010, with 26% invested overseas, the balance (26%) being held in money market funds. Any institutions, which, after 31 March 2010, 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 2 May 2010 issued by CIPFA.

	Amount at 31 March 2010	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2010 %	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2010
	A	B	C	(AxC)	
Deposits with banks and financial institutions	56,181,920	0	0	0	0
Bonds	0	0	0	0	0
Debtors				0	

No credit limits were exceeded during the reporting period (except where the capitalisation of interest on one call account led to a temporary excess of £9,013.73 (0.06%) over its £15 million limit) and the authority does not expect any losses from the non-performance of any of its counterparties in relation to deposits.

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.

	31/03/2010 Debtors	31/03/2010 Investments	31/03/2010 Total
Less than three months		(64,037)	(64,037)
Three to six months		775,863	775,863
Six months to one year		732,424	732,424
More than one year		5,002,920	5,002,920
Total	0	6,447,170	6,447,170

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

Liquidity Risk

At 31 March 2010 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 4.325%.

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	14,720	14,720	0.0%	4.428%
Between 1 and 2 Years	0	15,379	15,379	0.0%	4.429%
Between 2 and 5 Years	0	2,057,175	2,057,175	1.0%	2.791%
Between 6 and 10 Years	0	4,030,895	4,030,895	1.9%	3.309%
Between 11 and 15 Years	0	6,032,721	6,032,721	2.9%	4.423%
More than 15 Years	61,810,995	132,947,864	194,758,859	94.2%	4.360%
	61,810,995	145,098,754	206,909,749	100.0%	4.325%

The Council's policy is to limit the amount maturing in any one financial year to a maximum of 15%. Currently the maximum in any one year is 6.3% (£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 2009. On this basis, all current LOBOs fall within the "More than 15 Years" maturity period.

Market Risk

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 2010 the Council held £62.6 million (including accrued interest, less impairment) in investments, at various interest rates. This

comprised £57.6 million short term investments and £5.0 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 2010 and the investments had matured prior to that date, interest taken to the Income and Expenditure Account 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. 2 May 2010) in respect of the expected repayments from Icelandic investments and market rates at 31 March 2010 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 2010 was 1.14%. If the average rate of interest had increased by 0.5% one month prior to 31st March 2010, the additional interest that could have been credited to the Income and Expenditure Account and the Council would have been £26,000 "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 2010, particularly as the investments were held mainly in fixed rate call accounts and money market funds.

Note 63 Restatement of Income and Expenditure Account

For clarity, the income and expenditure net cost of services figures are restated below to show the total expenditure on each subheading within the net cost of service.

	Net Expenditure On-Going Services £000	2009/2010 Net Expenditure Acquired Services £000	Net Expenditure Full Council £000	2008/2009 Net Expenditure Wiltshire County Council £000
General Fund Services				
Central Services to the Public	694	2,206	2,900	1,046
Court Services	711	0	711	584
Cultural, Environment & Planning	32,135	53,899	86,034	31,646
Children's and Education Services	132,174	0	132,174	91,408
Highways, Roads & Transport Services	36,889	1,291	38,180	32,900
Housing Services General Fund	438	14,500	14,938	641
Housing Services HRA	0	3,201	3,201	0
Adult Social Care	119,427	0	119,427	109,711
Corporate & Democratic Core	2,215	2,865	5,080	6,669
Non-distributed Costs	5,021	3,383	8,404	2,855
Net Cost of Service	329,704	81,345	411,049	277,460
Exceptional costs			9,019	4,448
			420,068	281,908

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.

Wiltshire County Council had no Housing Revenue Account. The transactions this year relate fully to acquired services. Comparison figures for 2008/2009 relating to acquired services are shown in full to give more meaningful information.

	NOTE	2009/2010		2008/2009 Acquired Service	
		£000	£000	£000	£000
Income					
Rents (gross):					
- dwellings		(20,380)		(19,944)	
- garages		(356)		(279)	
- other		(116)	(20,852)	(57)	(20,280)
Charges for services and facilities			(924)		(778)
Decreased provision for bad debts			0		0
Total Income			(21,776)		(21,058)
Expenditure					
Repairs and Maintenance			4,624		4,868
Supervision and Management:					
- general		2,587		2,485	
- special services		1,359	3,946	1,485	3,970
Rent rebates			55		53
Negative Subsidy payment to Secretary of State	5		7,502		7,371
Increased provision for bad debts			49		117
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	8,258		46,576	
- On garages	3	148		110	
- On other Assets	3	73		44	
			8,479		46,730
Total Expenditure			24,655		63,109
Net Cost Of Services per Income & Expenditure Account			2,879		42,051
HRA Services share of Corporate and Democratic Core			321		321
Net Cost Of HRA Services			3,200		42,372
(Gain)/Loss on sale of HRA fixed assets			(372)		(312)
Interest Payable			145		179
Pensions interest costs and expected return on assets					0
Amortised Premiums and Discounts			0		0
Interest:					
- on mortgages		(59)		(120)	
- on balances		(79)	(138)	(259)	(379)
Deficit for the Year on HRA services			2,835		41,860

Statement of Movement on the HRA Balances

	2009/2010 £000	2008/2009 £000
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	2,835	41,860
Net additional amount required by statute and non-statutory proper practice to be debited or credited to HRA balances for the year (see below)	<u>(4,639)</u>	<u>(43,148)</u>
(Increase)/ Decrease in Housing Revenue Account balance	<u>(1,804)</u>	<u>(1,288)</u>
Acquired Services		
Housing Revenue Account Surplus Brought forward	(10,942)	(9,654)
Housing Revenue Account Surplus Carried forward	(12,746)	(10,942)
Housing Revenue Account Surplus Brought forward Wiltshire Council	0	0

Note to Statement of Movement on the HRA Balances

	2009/2010 £000	2008/2009 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year		
Gain/(Loss) on sale of HRA fixed assets	372	312
Financing from Depreciation	0	(44)
Impairments of Fixed Assets	0	(37,028)
Items not included in the HRA Income and Expenditure Account but included from the movement on HRA balance for the year		
Transfer to/From Major Repairs Reserve note 5	(5,050)	(6,388)
Transfer to/from Pension Reserve note 7	39	0
Revenue Contributions to Capital Expenditure	0	0
Net Additional amount required by statute to be credited to the HRA balance for the year	<u>(4,639)</u>	<u>(43,148)</u>

Housing Revenue Account Notes

1 Housing Stock

	31 March 2010	31 March 2009
Houses and Bungalows		
- 1 bedroom	377	377
- 2 bedrooms	1,566	1,568
- 3 bedrooms	1,887	1,890
- 4+ bedrooms	143	143
Flats		
- 1 bedroom	814	814
- 2 bedrooms	547	547
- 3+ bedrooms	38	38
Total dwellings as at 31 March	<u>5,372</u>	<u>5,377</u>

During the year, the council received £560,030 capital receipts in respect of HRA disposals. This was received from the disposal of 5 council houses under the right to buy scheme.

2 Arrears

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

	31 March 2010 £000	31 March 2009 £000
Rent arrears	771	720
less rent payments in advance	(212)	(221)
less bad debt provision	(732)	(683)
Net arrears position	(173)	(184)

3 Movement of Housing Revenue Account Assets

	Council Dwellings £000	Other Property (Garages) £000	Equipment £000	Total £000
Net Book Value 1 April 2009	0	0	0	0
Total Acquired Services	243,273	4,454	143	247,870
Revised Opening Balance	243,273	4,454	143	247,870
Additions in Year	4,456	0	0	4,456
Disposals	(206)	0	0	(206)
Revaluations	0	0	0	0
Depreciation	(8,258)	(148)	(73)	(8,479)
Impairments	0	0	0	0
Category Adjustments	0	0	0	0
Balance at 31 March 2010	239,265	4,306	70	243,641

The Balance Sheet value of Council Dwellings at 31 March 2010 was £239,265,408. 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 2010 was £543,785,018. 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 2010 was £304,519,610.

The value of land valued in the HRA is nil.

4 Financing of HRA capital expenditure**Financing of HRA capital expenditure**

	2009/2010 £000
Revenue and Reserves	0
Other receipts (MRR)	4,459
	4,459
Categorised as follows:	
Council Dwellings	4,459
Plant & Equipment	0
	4,459

Major Repairs Reserve

	2009/2010 £000	2008/2009 £000
Brought forward at 1 April	(1,144)	(1,345)
Transfer to Capital	4,432	3,470
Additional Resources	(491)	0
HRA Depreciation	(8,479)	(9,657)
Transfer to HRA	5,050	6,388
Carried forward at 31 March	<u>(632)</u>	<u>(1,144)</u>

5 Breakdown of HRA Subsidy

	2009/2010 £000
Management & Maintenance Allowance	7,687
Major Repairs Allowance	3,429
ASB Allowance	
Charges for Capital	116
Rent	(18,603)
Interest on Receipts	(131)
Housing Element	(7,502)
Rent Rebates	(54)
HRA Subsidy Due	(7,556)
Adjustment in respect of prior years	
HRA Subsidy Due	(7,556)
Defects Subsidy	
HRA Subsidy receivable (including MRA)	<u>(7,556)</u>

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 38 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	2009/2010	
		£000	£000
Income			
Income from Council Tax	1		(237,769)
Transferred from General Fund			
Council Tax Benefits			(24,824)
Transitional Relief			4
Income from Business Rates	2		(118,258)
			<u>(380,847)</u>
Disbursement			
Precepts and Demands			
- Wiltshire Council		211,592	
- Wiltshire Police Authority		27,022	
- Wiltshire & Swindon Fire Authority		10,726	
- Town/ Parish Councils		11,879	
			261,219
Share of surplus/(deficit) on Collection Fund			
- Wiltshire Council		538	
- Wiltshire Police Authority		63	
- Wiltshire & Swindon Fire Authority		25	
			626
NNDR			
- payment to national pool	2	117,420	
- cost of collection allowance	2	689	118,109
Provisions for Bad Debts			301
Write Offs - Council Tax			575
Write Offs - NNDR			149
Fund (surplus)/deficit for the year			(132)
			<u>380,847</u>
Fund balance b/f			(906)
(Surplus)/deficit for year			132
Fund balance c/f	5		<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 £1,475.10 for 2009/2010 multiplied by the ratio specified for that band. Ratios specified for the bands A to H are as follows:

Band	Estimated No. of Taxable Properties after discounts	Band D Equivalent Dwellings	Ratio
Band A Disabled	47	26	5/9
Band A	18,150	12,101	6/9
	18,197	12,127	
Band B	32,150	25,006	7/9
Band C	42,473	37,754	8/9
Band D	30,228	30,228	9/9
Band E	23,438	28,646	11/9
Band F	14,376	20,765	13/9
Band G	9,279	15,464	15/9
Band H	1,038	2,075	18/9
		172,065	
Add adjustment for contributions in lieu, new properties and bad debts		5,021	
Council Tax Base 2009/2010		177,086	

2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2010 was £352,717,804. The national non domestic multiplier for the year was 48.5p and for the small business rates relief multiplier was 48.10p.

3 Collection Fund Surpluses and Deficiencies

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

4 Precepts and Demands

Main Preceptors	2009/2010 Precepts	Share of Council Tax Surplus
Wiltshire Council	211,592	538.00
Wiltshire Police Authority	27,022	63.00
Wiltshire Fire Authority	10,726	25.00
Town/Parish	11,879	0.00
	261,219	626.00

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.

	31 March 2010
	£000
Wiltshire Council	666
Wiltshire Police Authority	78
Wiltshire Fire Authority	30
	774

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.

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.

FRSs

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

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.

Generally Accepted Accounting Practice (GAAP)

Accepted accounting practice with respect to accounts of UK companies that are intended to give a true and fair view. The same definition applies to individuals, entities that are not companies and companies which are not UK companies.

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.

Income and Expenditure Account (I&E)

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.

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.

SSAP

Standard Statements of Accounting Practice. These are agreed by accounting bodies and describe standard treatment to be used in the preparation of the accounts.

Statement of Total Recognised Gains and Losses (STRGL)

Summary of the changes in the net worth of the Authority. This brings together the gains and losses for the year from the income & expenditure account, the revaluation of fixed assets and the pension fund assets and liabilities.

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 taxable goods and services.

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Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2010 included 19,866 active members, 10,737 pensioners and 16,640 deferred members.

Responsibility for the Report

Wiltshire Council

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

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

Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2009/10 are shown in the Wiltshire Pension Fund Annual Report.

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

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

Chief Finance Officer

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

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

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

Actuarial Position

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

Security of Prospective Rights

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

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;

- Contributions by employers in accordance with the Rates and Adjustment Certificate dated 24 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in the Rates and Adjustments certificate dated 28 March 2008 (and updated 31 July 2009).

Summary of Methods and Assumptions Used

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

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

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

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

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

Valuation of Assets

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

Valuation Assumptions

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

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

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

The Next Actuarial Valuation

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

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

Audit

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

Investment Management Policy

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

The current mandates are the result of the revised investment strategy agreed by the Wiltshire Pension Fund Committee in July 2006 with a further review in September 2008.

The current strategy has the dual aim of increasing returns and reducing risk by increasing diversification and alternative approaches. Details of the strategy are provided in the Fund's Statement of Investment Principles (SIP) – the Wiltshire Fund's SIP can be supplied upon request or viewed at www.wiltshirepensionfund.org.uk/investment-principles.

The full list of managers as at 31 March 2010 were:

Company	Mandate	Share of Fund
Baillie Gifford	UK Equity	12.5%
Baillie Gifford	Global Equity	12.5%
Capital International	Global Equity	14.0%
Capital International	Absolute Income Grower (Equities / Bonds)	10.0%
Western Asset Management	Bonds	10.5%
ING Real Estate	Property	13.0%
Edinburgh Partners	Global Equities	7.5%
Fauchier Partners	Long-Short Equities	5.0%
Legal & General	Passive UK Equity	5.0%
Legal & General	Government Bonds	7.0%
Record Currency Management	Currency - Active	2.0%
Record Currency Management	Currency - Passive	1.0%

During the year, the managers transacted purchases of £814.8 million and sales of £769.8 million. The value of assets under management at 31 March 2010 was £1,161.8 million, broken down by managers as follows:

Baillie Gifford	£320.80 million
Capital International	£275.10 million
ING Real Estate	£132.50 million
Western Asset Management	£126.80 million
Edinburgh Partners	£92.60 million
Fauchier Partners	£60.00 million
Legal & General	£126.50 million
Record Currency Management	£24.20 million
Cash held at Wiltshire Council	£3.30 million
Total	£1,161.80 million

		£ million	% of Fund total
Geographical analysis	United Kingdom	653.7	56.3
	North America	157.6	13.5
	Europe	119.6	10.3
	Japan	20.6	1.8
	Asia, ex Japan	16.6	1.4
	Other overseas	193.7	16.7
		1161.8	100.0
Sector analysis	Equities	711.4	61.2
	Fixed interest bonds	174.1	15.0
	Cash & Derivatives	54.3	4.7
	Property	114.5	9.9
	Long-Short Hedge Fund	60.0	5.1
	Index linked bonds	33.9	2.9
	Currency Fund	13.6	1.2
		1161.8	100.0

Safe custody of all investments are now the responsibility of BNY Mellon and as such, are registered in the name of, and are held by, its nominee companies or, alternatively, by overseas agents. The exception at 31 March 2010 was a temporary cash deposit of £3.3 million held by the Wiltshire Pension Fund.

The Wiltshire Pension Fund

Fund Account	Notes	2009/2010	2008/2009
For the year ended 31 March 2010		£000	£000
Contributions and benefits			
Contributions receivable	3	82,545	80,742
Individual transfers		7,281	3,692
		<u>89,826</u>	<u>84,434</u>
Benefits payable	4	(58,685)	(53,842)
Payments to and on account of leavers	5	(9,065)	(2,807)
Administrative expenses	6	(1,321)	(1,215)
		<u>(69,071)</u>	<u>(57,864)</u>
Net additions from dealings with members		<u>20,755</u>	<u>26,570</u>
Returns on investments			
Investment income	7	26,846	34,142
Change in market value of investments	9	276,140	(290,820)
Investment management expenses	10	(2,359)	(2,899)
Net returns on investments		<u>300,627</u>	<u>(259,577)</u>
Net decrease in the fund during the year		<u>321,382</u>	<u>(233,007)</u>
Opening Net Assets of the Fund		845,166	1,078,173
Closing net assets of the Fund		<u>1,166,548</u>	<u>845,166</u>

The Wiltshire Pension Fund

Net Asset Statement At 31 March 2010	Notes	2009/2010	2008/2009
		£000	£000
INVESTMENT ASSETS			
Fixed interest securities	9	113,516	106,734
Index linked securities		767	26,372
Equities		520,041	347,352
Pooled investment vehicles		358,685	209,663
Property		114,506	73,294
Derivative assets		2,156	8,845
Cash held on deposit		54,301	78,355
Other investment balances		4,779	5,259
		<u>1,168,751</u>	<u>855,874</u>
INVESTMENT LIABILITIES			
Derivatives liabilities	9	(10,268)	(16,537)
Total net investments		<u>1,158,483</u>	<u>839,337</u>
Current assets	11	9,610	6,485
Current liabilities	12	(1,545)	(656)
Net assets of the Fund at 31 March		<u>1,166,548</u>	<u>845,166</u>

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of Wiltshire Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial statements and these accounts should be read in conjunction with these.

Notes**Forming part of the financial accounts****1. Basis of Preparation**

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

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

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions

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

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Benefits and Refund of Contributions

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

Transfers to and from Other Schemes

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

Investment Income

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

Valuation of Investments

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

- (i) **Quoted securities**
Quoted Securities have been valued at 31 March 2010 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.
- (ii) **Unquoted securities**
Unquoted securities have been valued according to the latest trades, professional valuation, asset values or other appropriate financial information.
- (iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
- (iv) **Fixed Interest Stocks**
Fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.
- (v) **Derivative Contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

Over the Counter (OTC) derivatives are stated at market value using pricing models and relevant market data as at the year end date.

Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

All gains and losses arising on derivative contracts are reported within in 'Change in Market Value'.

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

Foreign Currency Translation

All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2010.

Foreign currency transactions are accounted for on the basis of the equivalent sterling value of the underlying transactions, by applying the relevant exchange rate ruling at the time. Where overseas securities are acquired with currency either previously purchased directly or accruing

from the sale of securities, the sterling book cost of the new security will be based on the exchange rate ruling at the time of the purchase of that security. Any profit or loss arising on currency transactions either realised or unrealised, will be reflected in the Net Asset Statement.

Investment Management Expenses

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

Acquisition Costs of Investments

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

Administration Expenses

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

Taxation

The Fund is a registered pension scheme for tax purposes and as such is not liable for UK income tax on investment income, nor capital gains tax. As Wiltshire Council is the administering authority, VAT input tax is recoverable on all expenditure.

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

Related Party Transactions

Related parties to the Wiltshire Pension Fund include all the Admitted Bodies within the Fund (see Schedule of Employer bodies in note 11), members of the Wiltshire Pension Fund Committee and the Chief Finance Officer. There have been no financial transactions between any of these parties and the Fund apart from the routine contributions and benefits payable that are defined by statutory regulation and are therefore not within the direct control of any party. All these transactions are included within the accounting statements given in the following pages.

Additional Voluntary Contributions (AVCs)

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

3. Contributions Receivable

	2009/2010 £000	2008/2009 £000
Employer		
- Normal	45,468	43,816
- Augmentation	7,885	7,520
- Deficit Funding*	9,919	10,523
Members		
- Normal	18,695	18,511
- Additional Contributions	578	372
	82,545	80,742
Analysis of contributions receivable		
	2009/2010 £000	2008/2009 £000
<i>Contributions from employees (Including Additional Contributions)</i>		
- Wiltshire Council**	9,256	6,909
- Other scheduled bodies** Admitted bodies	8,329 1,687	10,285 1,689
	19,272	18,883
<i>Contributions from employers (Including Augmentations)</i>		
- Wiltshire Council**	32,916	21,517
- Other scheduled bodies** - Admitted bodies	24,658 5,699	34,915 5,427
	63,273	61,859
Total contributions receivable	82,545	80,742

* Deficit funding contributions are being paid by the employer for the three years commencing from 1 April 2008 as specified in the Rates and Adjustment certificate dated 28 March 2008 in order to improve the Fund's funding position. The recovery period at the last valuation over which the deficit funding is recovered is mainly 20 years for scheduled bodies and 14 years or the length of the employer's contract (whichever is the shorter) for admitted bodies.

** From 1 April 2009, Wiltshire Council became an unitary authority and now includes contributions formerly paid by the four district councils.

4. Benefits payable

	2009/2010 £000	2008/2009 £000
Pensions	45,050	40,885
Commutation and lump sum retirement benefits	12,269	11,747
Lump sum death benefits	1,366	1,210
	58,685	53,842
Analysis of benefits payable	2009/2010 £000	2008/2009 £000
<i>Pensions payable</i>		
- Wiltshire Council**	24,998	13,879
- Other scheduled bodies**	17,470	24,684
- Admitted bodies	2,581	2,322
	45,049	40,885
<i>Retirement and Death grants payable</i>		
- Wiltshire Council**	8,189	3,644
- Other scheduled bodies**	4,502	8,190
- Admitted bodies	945	1,123
	13,636	12,957
Total benefits payable	58,685	53,842

5. Payments to and on account of leavers

	2009/2010 £000	2008/2009 £000
Individual transfer out to other schemes	8,908	2,798
Refunds to members leaving service	133	44
State Scheme Premiums	24	(35)
	9,065	2,807

6. Administrative expenses

	2009/2010 £000	2008/2009 £000
Administration and processing	1,018	1,000
Actuarial fees	178	110
Audit fees	61	28
Legal and other professional fees	64	77
	1,321	1,215

7. Investment Income

	2009/2010	2008/2009
	£000	£000
<i>Quoted securities</i>		
- UK fixed interest bonds	6,148	7,628
- Overseas fixed interest bonds	520	1,622
- UK index linked bonds	156	803
- Overseas index linked bonds	0	123
- UK equities	6,241	6,575
- Overseas equities	6,957	7,575
<i>Pooled Investment Vehicles</i>		
- UK equities	0	176
- Overseas companies	608	2,430
- UK fixed interest Corporate bonds	971	200
- UK property	4,864	4,933
<i>Cash held on deposit</i>		
- Sterling Cash	361	1,892
- Overseas Cash	20	185
	26,846	34,142

8. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £15.3 million (1.3% of the total) were on loan at 31 March 2010. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.56%) representing a value of £16.3 million (106.2%). Income earned from this programme amounted to £0.184 million in the year.

	2009/2010	2008/2009
	£m	£m
WPF Securities on loan	15.3	22.1
(percentage of total)	1.30%	2.60%
WPF Collateral share of pool	0.56%	0.52%
Value of WPF pooled share	16.3	23.3
Percentage of securities on loan	106.20%	105.40%
Income earned in year	0.184	0.189

9. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01-Apr 2009 (as prev. stated) £0	Purchases at cost & derivative payments £0	Sales Proceeds and derivative receipts £0	Change in Market Value £0	Value at 31 March 2010 £0
Fixed interest securities	106,734	57,709	(80,594)	29,666	113,515
Index linked securities	26,372	3,628	(30,294)	1,061	767
Equities	347,352	162,540	(144,030)	154,179	520,041
Pooled funds:					
- Other	209,663	119,136	(49,103)	78,429	358,125
- Property	73,294	51,911	(14,088)	3,938	115,055
Derivative assets					
- Futures	301	2,110	(7,961)	5,405	(145)
- Options	24	1,219	(1,202)	(40)	1
- Forward FX	(8,018)	31,740	(35,088)	3,397	(7,969)
	755,722	429,993	(362,360)	276,035	1,099,390
Cash deposits	78,356	384,730	(408,973)	200	54,313
Other Investment Balances	5,259	0	(384)	(95)	4,780
	839,337	814,723	(771,717)	276,140	1,158,483

The PRAG guidance, Accounting for Derivatives in Pension Schemes, recommends that derivatives are set out separately in the investment reconciliation table for reasons of clarity and are reconciled on a 'net' basis as opposed to 'gross' as reported in the Net Assets Statement.

Included within the above purchases and sales figures are transaction costs of £490,658. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable

Details of investments held at year end

	31-Mar-10 £0	31-Mar-09 £0
INVESTMENT ASSETS		
Fixed Interest Securities		
- UK fixed interest Government bonds	0	16,846
- UK fixed interest Corporate bonds	101,206	73,657
- Overseas fixed interest Government bonds	6,312	5,879
- Overseas fixed interest Corporate bonds	5,998	10,352
Index Linked Securities		
- UK index linked Government bonds	0	20,774
- UK index linked Corporate bonds	767	5,598
- Overseas index linked Corporate bonds	0	0
Equities		
- UK equities	179,291	117,895
- Overseas equities	340,750	229,457
Pooled Investment Vehicles		
- UK equities	69,085	44,480
- Overseas equities	122,280	72,432
- UK fixed interest Government bonds	31,753	0
- UK fixed interest Corporate bonds	17,931	15,889
- Overseas fixed interest Government bonds	7,684	2,314
- Overseas Fixed interest Corporate bonds	3,261	7,752
- UK index linked Government bonds	33,206	0
- Property	114,506	73,294
- Long-Short Hedge Fund	59,866	51,841
- Currency Fund	13,619	14,955
Cash held on deposit		
- Sterling Cash	52,616	74,367
- Overseas Cash	1,685	3,988
Other Investment Balances		
- Derivatives Assets	2,156	8,845
- Outstanding dividend entitlements	4,309	4,806
- Recoverable tax	470	453
INVESTMENT LIABILITIES		
- Derivatives Liabilities	(10,268)	(16,537)
Total of investments held	1,158,483	839,337
NET CURRENT ASSETS & LIABILITIES		
Sundry debtors	9,610	6,485
Less Sundry creditors	(1,545)	(656)
Total net current assets	8,065	5,829

Derivative Contracts**Objectives and Policies**

The Wiltshire Pension Fund committee have authorised the use of derivatives by their investment managers as part of the investment strategy for the Fund.

The main objective for the use of key classes of derivatives and the policies followed during the year are summarised as follows:

Options – The Fund allows two of its managers to invest in options as part of their portfolio construction to assist them in achieving performance targets. These options are limited to ‘Over-the-Counter’ contracts purchased on major exchanges and must not exceed specified limits. Option exposures are limited and hedged through the use of futures.

Futures – The Fund allows a number of its managers to invest in futures, within specified exposure limits, as part of their overall portfolio construction to assist them in achieving performance targets.

Forward foreign exchange – In order to maintain an appropriate diversification of investments within the Fund and take advantage of overseas investment returns a proportion of the investment portfolio is invested overseas. To balance the risk of investing in foreign currencies a passive currency hedging programme, using forward foreign contracts, is in place to reduce the currency exposure of the overseas investments. Currently 50% of the overseas equity investments are hedged this way.

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

Future Contracts					
Nature	Nominal Amount	Duration	Economic Exposure	Asset value at	Liability value at year end
			£	£0	£0
Equity Futures					
FTSE 100 Index Future	237	Expires Jun 10	16,102,135	139	0
Fixed Income Security					
UK Long Gilt	(188)	Expires Jun 10	(21,573,000)	0	(175)
Euro Bond	(76)	Expires Jun 10	(8,362,299)	0	(45)
US Treasury Bond	26	Expires Jun 10	1,990,408	20	0
US 10 Year Treasury	190	Expires Jun 10	14,530,947	0	(78)
US 2 Year Treasury	(99)	Expires Jun 10	(14,159,377)	0	(5)
				<u>159</u>	<u>(303)</u>

Options					
Type of options	Expiration	Underlying investment	Nominal amount of outstanding contracts	Asset value at year end	Liability value at year end
			£000	£0	£0
Purchased Put	Jun-10	EUROBOBL Future	164	1	0
				<u>1</u>	<u>0</u>

Contract	Settlement date	Currency bought	Currency sold	Asset value at	Liability value
				£0	£0
Forward OTC	0 to 6 months	Sterling	Australian Dollar	39	(308)
Forward OTC	0 to 6 months	Australian Dollar	Sterling	0	(38)
Forward OTC	0 to 6 months	Euro	Sterling	318	(22)
Forward OTC	0 to 6 months	Sterling	Euro	796	(384)
Forward OTC	6 to 12 months	Sterling	Euro	22	0
Forward OTC	0 to 6 months	Japanese Yen	Sterling	0	(115)
Forward OTC	0 to 6 months	Sterling	Japanese Yen	0	(287)
Forward OTC	6 to 12 months	Sterling	Japanese Yen	112	0
Forward OTC	0 to 6 months	Swedish Krona	Sterling	17	0
Forward OTC	0 to 6 months	Sterling	Swedish Krona	0	(477)
Forward OTC	0 to 6 months	Swiss Franc	Sterling	99	0
Forward OTC	0 to 6 months	Sterling	Swiss Franc	0	(417)
Forward OTC	0 to 6 months	US Dollar	Sterling	477	(126)
Forward OTC	0 to 6 months	Sterling	US Dollar	11	(7,791)
Forward OTC	6 to 12 months	Sterling	US Dollar	105	0
				1,996	(9,965)

10 Investment management expenses

	2009/2010 £000	2008/2009 £000
Administration, management and custody	2,322	2,861
Performance measurement services	37	38
	2,359	2,899

11 Current assets

	31-Mar-10 £000	31-Mar-09 £000
Contributions due from other authorities and bodies		
- Employees	1,428	1,105
- Employers	3,815	2,779
Income due from external managers and custodians	164	171
Other	872	2,430
Cash Balances	3,331	0
	9,610	6,485

Contributions due at the year end have been paid to the Fund subsequent to the year end in accordance with the Rates & Adjustment certificate.

12 Current Liabilities

	31-Mar-10 £000	31-Mar-09 £000
Managers / Custody fees	728	576
HMRC	2	1
Other	815	79
	1,545	656

13. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.130 million (£0.146 million in 2008/09) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.847 million (£2.763 million in 2008/09), made up as follows:

	£ million
<i>Equitable Life Assurance Society</i>	
- With Profits Fund	1.082
- Unit Linked Managed Fund	0.303
- Building Society Fund	0.055
<i>Clerical Medical Funds</i>	
- With Profits Fund	0.116
- Unit Linked Managed Fund	0.903
<i>NPI Funds</i>	
- Managed Fund	0.024
- With Profits Fund	0.237
- Global Care Unit Linked Fund	0.071
- Cash Deposit Fund	0.056
	2.847

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

14. Employer Related Assets

There are no employer related assets within the fund.

15. Guaranteed Minimum Pension

Nationally, over a number of years, pension funds have made small (but cumulatively potentially material) overpayments because of miscalculations in the minimum pension guarantee. The Government have confirmed that these amounts will not be reclaimed from pensioners. Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

The Fund is currently analysing the Guaranteed Minimum Pension (GMP) information for Fund Members. Once this information has been finalised and confirmed with the Department for Work & Pensions calculations will be made to convert future payments. There is no information currently available on the materiality of any overpayments.

Schedule of Employer Bodies**Scheduled Bodies**

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

Admitted Bodies

ABM Catering Ltd
 Action for Blind People
 Avon & Wiltshire Partnership
 Capita Business Services Ltd
 CIPFA
 Community First
 Compass Disability Services
 Corsham Area Development Trust
 Cricklade District & Community
 Direct Cleaning
 DC Leisure
 English Landscapes
 Focsa Services
 Norwest Hoist (Vinci)
 Rethink
 Salisbury and South Wilts Museum
 Sarsen Housing Association
 Aster Group
 Aster Property Management
 Ridgeway Community
 Ridgeway Partnership
 Selwood Housing
 Swindon Dance
 The Order Of St John Care Trust
 United Response
 Westlea Housing Association
 Wiltshire Community Foundation
 Devizes Museum

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

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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

Respective responsibilities of the Chief Financial Officer and auditors

The Chief Financial Officer's responsibilities for preparing the pension fund accounts in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the pension fund accounts give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounts.

We review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of Regulation 34(1)(e) of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. We report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the pension fund accounts and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Certificate

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

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

Chartered Accountants

100 Temple Street

Bristol

BS1 6AG

30 September 2010

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Risk Management Update

Purpose of the Report

1. This report provides assurance on the Council's risk management arrangements and that risks are being appropriately managed within the Council.
2. It also includes a summary of the Council's significant risks on the risk register.

Background

3. The Council's risk management arrangements are an integral part of the corporate governance framework. Implementing a risk management process and developing a robust risk strategy are fundamental to achieving the Council's objectives. It is not about being risk averse; it is about understanding and evaluating risks and making informed decisions about how threats are managed, or opportunities exploited, to help the Council to achieve its goals.
4. This report is from the Corporate Risk Management Group (CRMG) which oversees the Council's risk management arrangements. It produces regular risk management update reports to the Corporate Leadership Team and to this Committee.
5. There are systems in place to ensure regular review and update of risks, the last quarterly review was during August 2010. The Risk Register reflects the current situation and departments regularly review their risks to ensure changes in legislation and funding are adequately reflected. CRMG believes that the significant risks are appropriately covered by this report.

Main Considerations for the Committee

6. Risk Register

The Risk Register has been simplified to provide a quick overview of the council's risks and to easily show which risks are rated as high.

7. For each risk on the register there is now a risk action plan, which provides more information about the risk and how it is being managed. If it is deemed necessary to reduce the level of a risk, the action plan will give details of the planned actions and an update on the progress being made. Action plans are being developed for each of the Council's risks. The action plans are stored on the council's network and members of this committee can access them.
8. Risks scored as High

All red or high scoring risks were reviewed in August and assessed. The eight risks remaining at a high level are included in this report.

9. Wiltshire Council Risk Register

The Corporate Leadership Team reviews the significant risks quarterly and by exception reporting. Following the Corporate Leadership Team on 13 September 2010 the significant risks are summarised below:

10. Risk Ref. CR001:

Delivery of a Successful Waste Management and Landfill Strategy

Rating	Impact	Likelihood	Risk
Current	4	4	High
Target	4	2	Medium

11. Significant action has been taken to improve waste reduction and recycling, and increase waste diversion from landfill. Waste reduction has been assisted by the economic slowdown, plus national and local action. Waste and recycling collection changes proposed for 2011 (subject to council decision following consultation) are forecast to increase recycling significantly.
12. One contract for the further diversion of waste from landfill has already started (Hills /Lakeside), securing enough capacity to avoid LATS (Landfill Allowances Trading Scheme) fines until about 2014 and reduce the landfill tax bill. A second contract, the Hills / Entsorga Mechanical Biological Treatment (MBT) project is under negotiation. If this contract is signed, the Council would have sufficient diversion capacity to about 2019, on current forecasts. Therefore, the second contract would reduce the likelihood of this risk. The council would also meet the Corporate Plan 2010-14 target for reducing waste to landfill (25% by 2014). The proposed changes to waste and recycling collections will provide further scope to reduce landfill.
13. Whilst the above measures will reduce pressures on the Council, it is certain that the costs of waste management will still increase significantly.

14. Risk Ref. CR003:

Managing the Volatile Nature of Care Placement Requirements within the Resources Available

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	3	3	Medium

15. Children

Children and Families Services continue to see an increase in placement demand. The increase is for both new referrals in light of baby 'Peter' and also for placements for young people post 16, arising out of the 'Southwark Judgement' (Children's services have a duty to accommodate a homeless 16- or 17- year-old under section 20 of the Children's Act).

16. The challenge is to respond by developing a range of placement options. This includes establishing robust in-house resources; capable of providing high quality provision for some of Wiltshire's most challenging and complex children and young people. This would reduce the current dependency on expensive Independent Provider Agencies from within both the Residential and Fostering sectors.
17. The Commissioning Strategy is being developed, which will provide clear priorities to produce efficiencies and mitigate the risks. There is clear direction that we must reduce the number of expensive external placements and improve in house local

provision. We must also enhance the range, quality and volume of placements, particularly for those with complex needs and post 16.

18. Older People

Work is continuing on reviewing services that will reduce the number of people going into care homes who do not wish to. A new service is being commissioned in the autumn to provide outcome based support to older people in their homes. A project group is overseeing the implementation of these contracts.

19. It has recently been agreed to award framework contracts to nursing homes, which will facilitate our management of this market and provide some controls around prices. This work will conclude in December. In addition, through work being undertaken as part of the accommodation strategy new units of extra care housing will be coming on stream over the next few years and we will extend the range of practical support available to help people maintain their homes. The first of these units will open in 2011.

20. **Risk Ref. CR004:**
Delivery of 400 Unit Housing PFI Scheme

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	4	2	Medium

21. As previously reported, due to issues concerning affordability and planning, Cabinet agreed that the Housing PFI scheme would be reduced from the provision of 400 homes to around 350. These will be delivered in a phased approach, with approximately 242 homes being provided in phase 1.

22. The PFI contract cannot be signed until the Government's Comprehensive Spending Review (CSR) has concluded. The CSR may determine that this project will not proceed. This hold-up is general and most other housing PFI projects are similarly affected. The Homes and Communities Agency (HCA) July deadline has been overridden by the CSR which is expected to conclude in October this year.

23. **Risk Ref. CR024:**
Ability to maintain effective service delivery and performance levels during ICT transformation

Rating	Impact	Likelihood	Risk
Current	3	4	High
Target	3	3	Medium

24. As the move into Bourne Hill approaches there are still a huge number of changes to the ICT infrastructure that need to be made, which will inevitably lead to some service disruptions as new configurations are put into place. Testing and robust project management are in place to mitigate the impact of the many and concurrent changes as much as possible. The project has a limited time and therefore the number of changes cannot be spaced out further, without impacting on the ability for staff to have new technology and the ability to work in the new ways dictated by Workplace Transformation.

25. **Risk Ref. CR027:**
Delivery of a Transformed Waste Collection Service

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	1	3	Low

26. The resolution of role remodelling issues is key to the future of the waste collection service. The waste directorate's management team will work closely with the Pay Harmonisation Team to minimise risks of the pay harmonisation process creating poor industrial relations in this service or disrupting waste collections.

27. The Management Team has also recognised the ongoing work on transformation of collection services and the need for timely and effective consultation on service options. The consultation timetable was "on hold" until after the general election, to avoid any waste of public funds consulting on options that may become the subject of national government policy. The consultation period has now ended and a decision on the implementation of the proposed new services should be made by Cabinet at its meeting in October.

28. Risk Ref. CR028

Availability of resilient and appropriate software and hardware to deliver Benefits Service

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	2	2	Low

29. Maintaining the four existing Benefits systems is administratively costly. Expert staff based in the hubs are capable of maintaining the software and daily and overnight procedures. However, hardware maintenance with so many servers and interfaces will continue to present risks.

30. The risk status remains high as the impact of system failure is significant. Impacts include the inability to collect income for the Council; the possibility of abusing the strict code of practice regarding the collection of direct debit payments; the inability to pay customers rent through the housing benefit system.

31. The project to replace four systems, each with its own set of interfaces to SAP and the cash receipting systems, is now underway. The structure of the team is changing to meet the demand of the project and to cope better with changes to software and hardware. Implementing one system will reduce the number of servers used and also provide greater resilience in terms of retaining existing servers should there be the need to invoke disaster recovery.

32. Risk Ref. RNP006

Loss of income to the Land Charges Service

Rating	Impact	Likelihood	Risk
Current	3	4	High
Target	2	4	Medium

33. Following the revocation of the personal search fee at the beginning of August, no personal search agents have contacted the Council to ask for a refund. We are waiting for further guidance from the Local Government Association and from the Council's legal team on how to deal with such requests. In terms of the income pressures, the team will be hosting events in October to promote the Council's services to solicitors. We are also waiting for legal guidance on how we can diversify our services to maximise income opportunities and improve the service.

34. Risk

Failure of Housing Improvement Plan to deliver required service standards, performance level and asset management within the agreed timescale

Rating	Impact	Likelihood	Risk
Current	4	3	High
Target	4	2	Medium

35. An assessment carried out by the Audit Commission in February 2010 awarded the Housing Service a zero star rating for the current performance of the service and a 1 star rating for the prospects for improvement in the service. In response to this, a Housing Improvement Plan has been drawn up. This is currently being reviewed and updated with the Audit Commission recommendations. A Commission Board has been set up which includes Councillors, Officers, Tenants and CEOs from Aster and Poole Housing Partnership. This group will take ownership of the Housing Improvement Plan. Along with this, a Housing Improvement Steering Group has been set up to provide practical management of the implementation of the improvement plan. These groups are currently meeting regularly to help drive the project forward and monitor the progress of the improvements within the Housing Service.

36. **Emerging risks**

There is an emerging risk associated with the government's plans to reduce public spending by 25%. It is being considered as part of business planning. It will be evaluated once the government comprehensive spending review is published (expected 22 October 2010).

37. The Housing Options service within the Department of Neighbourhood and Planning has identified a risk concerning the reduction in government funding to help prevent homelessness; the risk has been scored as high. CRMG are reviewing this risk further and will report on it in the future if appropriate.

38. There is also the possibility that a developer will be making a claim against a school and officers are keeping this under review.

39. **Closed Risk: CR019 Ability to deliver service at an effective and safe level whilst embarking on comprehensive change agenda**

40. This risk has been closed as it was concerned with ICT during the move to one council. The ongoing changes to ICT over the next few years are covered in CR024 ICT Transformation.

41. Other areas of key risks to note include:

42. **Emergency Planning and Business Continuity (BC)**

43. Emergency Planning

The Wiltshire and Swindon Local Resilience Forum (LRF) maintain and review a Community Risk Register which compliments the National Risk Register and informs multi agency emergency planning at a local level. The register is overseen by the Risk Assessment Sub Group of the LRF. The chairmanship of the group has recently changed to the Head of Emergency Planning Service at Wiltshire Council. The group has not met for some considerable time due to reorganisations and staff changes within LRF partner agencies. The next meeting is due to take place in the second half of September or October, when a new Risk Assessment process will be discussed.

44. Currently there are four risks considered to be Very High, which will be reviewed at the next meeting of the LRF Risk Assessment Sub Group, the four risks are:

45. Community risk: Influenza type disease (pandemic)

As previously reported the Swine Flu outbreak is now over and work continues to improve our response to any similar events in the future.

46. Community risk: Major fluvial flooding

The LRF Flooding Sub Group is continuing to address the actions required by the Pitt Review. Wiltshire Council's Emergency Planning Service is leading on the LRFs multi agency flood planning arrangements and the completed plan was signed off by the LRF Executive Group on the 24 June 2010.

47. The framework local authority flood plan has been updated to reflect the changes brought about by reorganisation and restructuring and also to incorporate some of the recommendations of the Pitt report. The plan has also been redrafted to include the local authority requirements of the Flood & Water Management Act 2010. The Emergency Planning Service will continue to act as the link between the Flood Risk Management Group and the LRF Flooding Task and Finish Group.

48. Community risk: Failure of the telecommunications infrastructure

This risk may drop from a Very High to a High risk even though there is the possibility of industrial action by BT staff. The LRFs Telecommunication Failure Plan is in place and has been tested on small scale outages over previous years.

49. Community risk: Localised industrial accident involving large toxic release

This risk does not accurately reflect the type of event that could take place within Wiltshire. We do not have any storage or processing facilities which would be capable of causing such an incident. There is a risk of 'localised industrial accident involving small toxic release' which is a more credible scenario and is currently rated as High.

50. Business Continuity Management (BCM)

The BCM roll out programme has been completed. Work is in progress to track the services which have changed department under the transformation programme. A revised BCM policy document has been drawn up and was submitted to CLT on 19th July where it received approval and sign off. The Corporate Business Continuity Plan is being finalised for possible submission to ELT on 4th October. A training programme is currently being put together for continuation training for managers and introductory training for new personnel coming into the authority.

51. A set of interim arrangements have been put in place to cover the time period that the Workplace Transformation Project (WTP) is in progress. The emergency planning service has arranged for more regular information reports to be submitted in order to keep track of any changes made as a result of the programme. The BCM programme team attend fortnightly meetings with the WTP team where highlighted BCM issues are discussed and assessed.

52. Corporate Negligence Occupational Health & Safety (CNOHS)

53. Health and Safety (H&S)

Service specific H&S risk registers are now on SharePoint. These will provide the priority action plans for each service area going forward through 2010/11. Departments and service areas will be supported in maintaining registers by the corporate H&S Service. All departments/services now have a H&S lead officer for first contact.

54. Review of the lone working policy is complete. A technical project to establish a cost-effective and consistent use of communication device(s) for lone working is necessary. A project to establish a secure and compliant database of members of the public thought to represent a risk to employees is underway and a first prototype is under development. The review of the driving policy is nearing completion.
55. The Health and Safety Executive (HSE) has given notice of intention to inspect all LPG installations starting in September 2010. The Property Services group is co-ordinating the survey of compliance. The Improvement Notice served by the HSE in respect of the positioning of an LPG installation at a Wiltshire School has been actioned and signed off.
56. Occupational Health (OH)
The number of management referrals continues to rise, leaving limited capacity for statutory health surveillance or preventative work in respect of vaccination programmes and health awareness promotion. Currently vaccinations for hepatitis and tetanus, for employees at risk, are locally arranged. Resources have been realigned within the OH team to create budget for a third OH Adviser, the new appointee is due to start in September 2010. Additional OH clinics have been established at Monkton Park.
57. Legal advice has been received regarding pre-employment screening procedures following the 'Cheltenham Chief Executive' case, in which issues arose about the suitability of the screening procedure and the interpretation of some of the responses given. Wiltshire Council procedures will be modified to reflect the advice.
58. CLT are funding the module on Management Matters programme aimed at 'Managing Pressure, Stopping Stress'.
59. A full risk register for all services is in place and is overseen by the Corporate Risk Management Group.
60. The next Risk Management Update will be March 2011.

Environmental Impact of the Proposal

61. There are no direct environmental risks regarding the proposals in this report, however, clearly some of the risks reported could have environmental impacts.

Financial Implications

62. This is a mandatory report and so there are no additional costs.

Reasons for the Proposal

63. To inform and consult the Committee on developments and progress in relation to the Council's key risks and risk management arrangements.

Proposal

- The Committee is asked to note the significant risks set out in this report.
- The Committee is asked to note position on the Council's risk management arrangements.

Sharon Britton
Director Performance

Report author/s - Eden Speller, Head of Business Arrangements
 - Venita King, Business Performance Manager
 - Rose Outen, Business Performance Manager

Unpublished documents relied upon in the preparation of this Report: None
This is a progress report

Internal Audit Progress Report 2010-11

Purpose of the Report

1. To present the latest Internal Audit Progress Report for 2010-11 to the Audit Committee, in order to bring members up to date on the following;
 - A brief overview of the actual position reached at 31 August 2010, in delivering the agreed Audit Plan for 2010-11
 - A summary of the outcomes of audits completed during the period
 - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
 - Brief details of other work undertaken during the year to date.

Background

2. A key requirement of the Code of Practice for Internal Audit in Local Government is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving regular progress reports from Internal Audit on the delivery of the Internal Audit Plan. The latest Progress Report for 2010-11 is attached as the Appendix to this report.

Main Consideration

3. The main consideration is to note the content of the latest Internal Audit Progress Report for 2010-11 (attached as the Appendix), specifically:
 - The summary of the outcomes of audits completed, and details of other work undertaken during the year to date
 - That actual productive audit days have very closely matched the target over the first five months of the year, and therefore if current staff resources are maintained for the rest of the year the planned productive days for the year as a whole should be achieved
 - That follow-up work carried out to date continues to support an overall conclusion that management is responding properly to audit

reports in the main, and is taking appropriate action to manage the risks identified.

Environmental Impact of the Proposal

4. No environmental impact arises from issues raised in this report.

Financial Implications

5. There are no additional costs arising from this proposal.

Reasons for the Proposal

6. To present the latest Internal Audit Progress Report for 2010-11 to the Audit Committee, in order to bring members up to date on the following;
 - A brief overview of the actual position reached at 31 August 2010, in delivering the agreed Audit Plan for 2010-11
 - A summary of the outcomes of audits completed during the period
 - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
 - Brief details of other work undertaken during the year to date.

Proposal

7. The Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2010-11 (attached as the Appendix), specifically:
 - The summary of the outcomes of audits completed, and details of other work undertaken during the year to date
 - That actual productive audit days have very closely matched the target over the first five months of the year, and therefore if current staff resources are maintained for the rest of the year the planned productive days for the year as a whole should be achieved
 - That follow-up work carried out to date continues to support an overall conclusion that management is responding properly to audit reports in the main, and is taking appropriate action to manage the risks identified.

Chief Finance Officer

Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report: None

Internal Audit

Progress Report 2010-11

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Outcomes of Completed Audits

Implementation of Agreed Management Actions

Other Work

Steve Memmott
Head of Internal Audit

September 2010

INTERNAL AUDIT PROGRESS REPORT

Introduction and Background

1. This progress report presents members of the Committee with the following:
 - A brief overview of the actual position reached at 31 August 2010, in delivering the agreed Audit Plan for 2010-11
 - A summary of the outcomes of audits completed during the period
 - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
 - Brief details of other work undertaken during the year to date.
2. With regard to the issue of follow-up, the Audit Committee has within its terms of reference the responsibility to monitor the implementation of agreed management actions arising from Internal Audit's work, and for 2010-11 the Committee has asked for detailed assurances to be brought to each of its meetings with regard to specific management actions taken. This will therefore be included in our regular progress reports to the Committee.

Overall progress against the Audit Plan 2010-11

Productive Audit Days

3. We base our Audit Plan for the year on being able to achieve an estimated number of productive audit days throughout the year, and thereby deliver a range of planned audit work. Taken to the end of August 2010, our actual performance against the overall plan was as set out in the following table:

	No of Audit Days
Total Audit Plan for 2010-11	2,750
Weighted target productive days to 31 August 2010	1,031
Actual productive days to 31 August 2010	1,038

4. This shows that our actual productive days have very closely matched our target over the first five months of the year, and therefore if we maintain our current level of staff resources for the rest of the year we should achieve our planned productive days for the year as a whole.

Outcomes of Completed Audits

5. A full schedule of the audits we have completed during the period, incorporating specific main risks and management actions proposed, is attached as Appendix 1 to this report. A summary of the overall position on the outcomes of these completed audits is set out in the following table:

Audited Activity	Audit Opinion	Risks Identified
Council Tax	Substantial Assurance	3 Medium Risks
Risk Management	Substantial Assurance	3 Medium Risks
DCE Procurement	Substantial Assurance	5 Medium Risks
Purchasing Cards	Limited Assurance	1 High Risk 11 Medium Risks
Corporate Assets Management	Limited Assurance	1 High Risk 3 Medium Risks
Service Charges on Council Properties	Substantial Assurance	4 Medium Risks
Gas Servicing	Substantial Assurance	3 Medium Risks
CRB Records for Schools and Childrens' Centres	Limited Assurance	7 High Risks 3 Medium Risks
Core Financial Systems – IT Controls	Limited Assurance	5 High Risk 11 Medium Risks
Direct Payments – IT Controls	Substantial Assurance	3 Medium Risks

Audited Activity	Audit Opinion	Risks Identified
Adult Placements – IT Controls	Limited Assurance	1 High Risk 3 Medium Risks

Implementation of Agreed Management Actions

6. A full schedule of the audits we have followed-up during the period, incorporating specific risks and management actions implemented, is attached as Appendix 2 to this report. A summary of the overall position on management actions is set out in the following table:

Audited Activity	No of Main Risks Reported	Position on Management Actions
Safeguarding Clauses in Contracts	1 (High)	Actions mainly implemented, remaining elements by Oct 2010
Reconciliations	2 (Medium)	Actions partially implemented
Housing Rents	3 (High)	2 actions fully implemented 1 action ongoing
Housing and Council Tax Benefits	2 (High)	Actions ongoing, progress according to plan
Car Parking	2 (High) Outstanding from previous follow-up review	1 action fully implemented 1 action ongoing
Highways Maintenance	4 (High)	2 actions fully implemented 2 actions not yet due
RFQ Pro-Contract System	1 (High)	Actions ongoing, progress according to plan

Conclusion

7. Our follow-up work carried out during the last quarter leads us to the overall conclusion that management continues to respond properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Of the audits followed up during this period, whilst some progress has been made on reconciliations, there remains further work to be done in order to implement agreed actions fully and thus achieve the required level of control. Until this is achieved, in our view the identified risks remain as medium risks.
8. We will continue to report further follow-up work and the position on agreed management actions as part of each quarterly progress report to the Audit Committee.

Other Work

9. In addition to specific planned audits and follow-up work, we have undertaken additional work in a number of important areas as set out in the following paragraphs.

Anti Fraud and Corruption

National Fraud Initiative (NFI)

10. The majority of work on the previous NFI exercise was completed last year but a number of benefits and single person discounts investigations have been finalised this period. These have identified largely recoverable losses amounting to around £45,000 from benefits paid, and £3,000 from single person discounts granted.
11. The latest round of this nationwide exercise (NFI 2010) is now underway. We have worked closely with a number of managers across the Council to ensure that the majority of the required data will be extracted from systems in early October 2010 and uploaded to the Audit Commission's secure website. They will provide us with data matching results for investigation in January 2011. These investigations will be carried out by various sections across the authority, with Internal Audit taking a co-ordinating role for reporting and system administration purposes. Where appropriate, progress on investigations will be reported to future Audit Committee meetings.
12. This is the first NFI exercise in which Wiltshire Council has been involved, as previous exercises were managed by the five former authorities. There is therefore scope for a more consistent, co-ordinated and streamlined approach with better and more cost-effective outcomes across the county. The datasets involved in this matching exercise will be as follows:

- Payroll
- Pensions
- Housing benefits
- Housing rents
- Housing Right to Buy
- Creditors
- Insurance claims
- Private residential care home residents
- Parking permits (including Blue Badges)
- Concessionary fares
- Council tax
- Electoral register
- Market traders
- Personal alcohol licences.

Contribution to National Fraud Research

13. We have contributed to the national fraud agenda by completing a number of significant surveys and questionnaires, notably for the Audit Commission for their reports on “Protecting the Public Purse” and for the University of Portsmouth Centre for Counter Fraud Studies for their report on the resilience of the UK to fraud in major public, private and voluntary sector organisations.

Investigations

14. There have been a limited number of referrals of suspected frauds or irregularities so far this year. These have included:
- A small number of national banking ‘scams’ which have affected other councils. We have kept the Shared Services Team up to date with details of these to ensure appropriate controls are in place so that as far as possible Wiltshire Council does not become a victim.
 - A suspicion that a grant awarded to a local organisation had been used for inappropriate purposes. The organisation provided evidence to demonstrate that the grant had been properly applied but a definite conclusion was not possible because the receiving organisation was also the beneficiary of a significant number of awards from other bodies. Options for revised procedures in relation to grants are now under further consideration at a corporate level.
 - Further finalisation work was also required in this period in relation to the cheque fraud at Corsham Youth Centre, prior to the court hearing and sentencing in July.

Schools

15. We have now assessed all schools in Wiltshire against the national Financial Management Standard in Schools (FMSiS). All but nine have achieved the Standard. We have provided the nine schools with the details of the improvements they need to make and will be reassessing them before the end of the year.
16. Under the terms of the FMSiS all schools must be reassessed formally every three years, and Internal Audit will continue to be the preferred external assessor. The reassessment programme is now underway for the first tranche of schools.

Other Matters

CIPFA Statement – The Role of the Head of Internal Audit

17. The consultation period for this CIPFA document has now ended, and we provided input to the consultation process as part of our membership of the national County Chief Auditors' Network. It is expected that the document will be issued as a statement of best practice in the near future, and we will then benchmark our own position against its recommended approach, and bring the findings to the next available Audit Committee meeting.

Seminars for Audit Committee Members

18. In order to provide members with further background and supporting information on various aspects of the overall audit process, it has been suggested that seminars for committee members could be held between the formal meetings of the Audit Committee. This would enable topics to be discussed in more detail without the need to add these to the formal agendas, and thus keep Audit Committee meetings more focussed and effective.
19. Topics for possible inclusion in such seminars could include the following:
 - The audit planning process
 - Audit risk assessment and reporting
 - The current role of the Head of Internal Audit (against the CIPFA Statement).

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Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>Council Tax</p>	<ul style="list-style-type: none"> • Adequate controls ensure that the valuation system complies with statutory requirements and all chargeable dwellings have been identified, assessed and recorded. Also that charges determined by the tax setting body are applied to the system for billing. • All persons liable for Council Tax and all discounts, exemptions, benefits and other allowances are correctly established and recorded. • Amounts due for each chargeable property are correctly calculated and promptly demanded from liable persons. • All collections are secure and efficient and posted promptly to the correct accounts and reconciled to the council's bank accounts, and all refunds due are valid, authorised and paid promptly. • All arrears are identified promptly and pursued effectively. Write-offs are valid and authorised appropriately. • The project to procure and implement a single application system across the county is underway and on target for completion according to plan by October 2011. 	<p>Substantial Assurance</p> <p>3 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to monitor, review and confirm single occupancy or entitlement to student exemption risks loss of Council Tax receipts. • Failure to monitor voids and contact owners liable for Council Tax promptly risks loss of revenue to the Council. • Absence of a clear write-off policy allowing relatively minor and routine losses to be dealt with by responsible senior managers is inefficient and bureaucratic. 	<ul style="list-style-type: none"> • Out of the LEAN review we plan to harmonise the method we use to review discounts. Currently discounts are being reviewed on a rolling, albeit, ad-hoc basis. This will be formalised when both the LEAN methodology is rolled in and the structure is in place. • Resources are being diverted to those areas where inspections may not be as regular as the other hubs. The new structure will address this risk, by way of allocating specific resource to carrying out void inspections. • The write off policy is Draft; we have asked that delegation of write offs is built into the scheme. We currently operate on the basis of Section 151 officer - over £5K, Head of service – between £1k-£5k, and Revenue manager - up to £1k. This does and has worked well; it provides a level of efficiency and puts checks in place. We will ask for this to continue. Extra resource to target legacy debt is being put in place.

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>Risk Management</p>	<ul style="list-style-type: none"> • Foreseeable risks are identified and prioritised. • The risk register reporting process operates as documented. • The Risk Management Strategy contributes to the achievement of Council goals. • The governance framework for managing and reporting risk is operating in line with agreed policy and procedures. 	<p>Substantial Assurance</p> <p>(Limited Assurance on departmental risk registers)</p> <p>3 Medium Risks</p>	<ul style="list-style-type: none"> • Within some departments the lack of training and capacity for dealing with risk management processes could lead to risks not being identified and prioritised. • The Partnership Protocol and Register may not be completed in the timescale identified and the full extent of partnership risks may not be known. It is recognised that this risk is outside the remit of the Performance Team. • As some service risk registers are not being maintained as living documents there is a risk that significant risks are not communicated, managed and monitored which could have an adverse effect on service delivery and the reputation of the Council. 	<ul style="list-style-type: none"> • Currently reviewing risk management awareness / training and developing a programme to include 1 to 1s: risk overview; risk workshops; Management Program. Also help and advice available when requested on an on-going ad hoc basis. • Work on risks already being undertaken with departments on managing their risks in known partnerships. Partnership Protocol will provide a useful register of partnerships that will help inform our work. Protocol to be put in place by Procurement Team. • Risk is being managed within departments that suits their business needs; each department has a designated risk champion and risk lead who report back on risks with their areas communicating them through the appropriate channels. Risk Champions are required to confirm they are taking appropriate steps to ensure risks are managed accordingly. All departments have been contacted asking

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
				<p>them which areas they consider Risk Management requires further attention. Consequently the Performance Team is working with teams and individuals on managing and reporting their risks.</p>
<p>DCE Procurement</p>	<ul style="list-style-type: none"> • Review the policy and strategy for procurement in DCE. • Assess the effectiveness of contract management and performance measurement. • Assess the effectiveness of partnerships & collaboration. • Review supplier and contract monitoring processes. 	<p>Substantial Assurance</p> <p>5 Medium Risks</p>	<ul style="list-style-type: none"> • Red rated services (likely to cause budget overspend or service reduction) may not be adequately monitored by the DCE Departmental Leadership Team and progress is not regularly reported to the Corporate Procurement & Commissioning Board. • Sufficient action may not be taken by DCE Procurement in order to improve the certainty of annual savings targets being achieved 	<ul style="list-style-type: none"> • The Children in Care Commissioning Group has oversight of the placements budget and the measures being taken to address cost pressures that risk overspend or service reduction. • The procurement savings plan for 2011-12 is supported by a more detailed cost assumptions document. The Savings plan is a living document and will be updated as commissioning and procurement plans are developed in the context of the new Procurement and Commissioning Programme (PCP), which will prioritise the procurement work of the Council going forward. To progress this work Category Opportunity Assessments are

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
			<ul style="list-style-type: none"> Savings targets may not be fully itemised or realistically achievable within contract terms, progress is not adequately monitored or savings fully realised. Contract performance monitoring may not be undertaken with due diligence. 	<p>now being carried out. As more commissioning resource is established within DCE the more radical commissioning work will be undertaken to re-shape services in collaboration with our partners in the Children’s Trust</p> <ul style="list-style-type: none"> The DCE Commissioning and Procurement Savings plan identifies itemised savings and is supported by a more detailed cost assumptions document. The Savings plan is a living document and will be updated as commissioning and procurement plans are developed. Commissioning and Procurement savings are already recorded on a savings register summarising the savings achieved and this will also capture the savings achieved by the Children’s Services Buyers when they take up their posts in October 2010.
<p>Purchasing Cards</p>	<ul style="list-style-type: none"> Cardholders have signed up to the Terms and Conditions of the Council’s scheme. Purchasing Cards are used in appropriate circumstances within the 	<p>Limited Assurance</p> <p>1 High Risk 11 Medium Risks</p>	<ul style="list-style-type: none"> High value credit limits and transaction limits may increase the financial loss for the Council if cards are mis-used (High). 	<ul style="list-style-type: none"> Partly addressed through the comprehensive guidance notes. However a review has been carried out on credit limits with a revision to a number of ‘high’ limits and the

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
	<p>limits set for the scheme.</p> <ul style="list-style-type: none"> • All purchases made using Purchasing Cards are supported by appropriate documentation. • Monthly Purchasing Card statements are reconciled on a timely basis. 		<ul style="list-style-type: none"> • There is a risk that Purchasing Card holders will use their cards to bypass the Council's established procurement process, either in inappropriate circumstances, or without keeping a record that justifies their actions. • There is evidence that the limit on individual transactions may not be operating correctly which may increase the financial loss for the Council if cards are mis-used. 	<p>removal of cards not in use. Transfer of the strategic overview to CPU will strengthen the appropriate procurement route.</p> <ul style="list-style-type: none"> • Revised user guidance and procedural notes have been drawn up which cover the main elements on what and how a purchasing card should be used. The transfer to CPU of the administration and responsibility for strategic & policy should enforce the adherence to procurement processes. • The evidence highlighted through the audit has been raised with the bank as it is outside the Council's controls.
<p>Corporate Assets Management</p>	<ul style="list-style-type: none"> • There are clear policies and procedures in place for the acquisition, management and disposal of assets. • Up to date inventories are properly maintained and monitored by Corporate Directors and Service Managers. 	<p>Limited Assurance</p> <p>1 High Risk 3 Medium Risks</p>	<ul style="list-style-type: none"> • The audit confirmed that in the main, inventories are not kept. Without inventories, the Council will not be able to confirm existence of, or the full value of, its assets and will not comply with Financial Regulations. If not recorded, assets could be misappropriated. Although individual items are not material, 	<ul style="list-style-type: none"> • Although part of Financial Regulations, inventories have not historically been kept. Work is ongoing to refine the assets held in SAP in order to review whether duplicate Departmental inventories will be required to be kept in the future.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
	<ul style="list-style-type: none"> • Assets are properly serviced and maintained to preserve their value. • Assets are accurately recorded in the Council's financial records using the SAP system. 		<p>the sum total for the Council could be considerable (High).</p> <ul style="list-style-type: none"> • With no procedures in place for the acquisition, management and disposal of assets, officers will be unaware of the current treatment of assets. This may result in ad-hoc action and decision making or an incorrect accounting treatment may be applied 	<ul style="list-style-type: none"> • Accounting procedures and training will be rolled out. A thorough review of assets held on SAP has been undertaken focussing on property assets initially as discussed with KPMG. With regard to working procedures, the Fleet Management software, Tranman, is due to be rolled out in 2010-11, and will include these.
<p>Service Charges on Council Properties</p>	<ul style="list-style-type: none"> • Procedures for the administration of service charges are operated in accordance with statutory requirements and the Council's agreed written policy. • Service Charges are regularly reviewed and correctly assessed. • Charges are appropriately set, applied accurately to accounts and raised promptly. 	<p>Substantial Assurance</p> <p>4 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to formally finalise and adopt policies and procedures risks challenge to their enforceability, inconsistencies in implementation and non-compliance with legislation. • Due to restrictions placed on the council by Housing legislation, and previous inadequate increases in charges to tenants, the council will be unable to levy charges and recover adequate income to meet all reasonable service costs associated with the fulfilment of its responsibilities. 	<ul style="list-style-type: none"> • The draft policy and procedures will be updated and put before Cabinet by December 2010. • We will continue with our policy of reducing the deficit annually.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
			<ul style="list-style-type: none"> • Not allocating all costs and income to schemes undermines the provision of effective financial management information. • Inadequate and incomplete financial information on the performance of schemes precludes proper review, because transactions are not correctly identified and allocated in the ledger. 	<ul style="list-style-type: none"> • We will work with our colleagues in Finance to improve the information they make available to us. • We will work with our colleagues in Finance to improve the information they make available to us.
<p>Gas Servicing</p>	<ul style="list-style-type: none"> • All Wiltshire Council tenants' properties with gas appliances have been correctly identified and are recorded on the gas servicing database. • The service has adopted a policy for dealing with gas safety and this is communicated to officers and tenants effectively. • Appropriate steps have been taken to ensure, as far as possible, the safety of Wiltshire Council tenants who are neighbours of Right to Buy property leaseholders. • Servicing is carefully monitored to ensure it is carried out in a regular and timely manner by the contractor. 	<p>Substantial Assurance</p> <p>3 Medium Risks</p>	<ul style="list-style-type: none"> • Failure to formally finalise policies risks challenge to their enforceability. • Failure to explicitly state an enforceable requirement for an annual gas safety check by a Gas Safe engineer in the leaseholder agreement risks ineffective arrangements to ensure the safety of tenants in neighbouring properties. • Failure to establish a timelier programme of servicing will result in-delays in annual servicing and non compliance with Gas Safety Regulations. 	<ul style="list-style-type: none"> • Policy has been written and passed to Democratic Services for approval by Cabinet. • Request sent to Legal to investigate possibilities of inserting clause in leasehold contracts requiring annual gas safety checks to be carried out and certificates supplied to council. Also to see if this can be done retrospectively. • Move cycle of servicing to 10 month programme.

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
	<ul style="list-style-type: none"> The gas servicing database system is secure, and data therein complete, accurate and timely. 			
<p>CRB Records for Schools and Children’s Centres</p>	<ul style="list-style-type: none"> All persons with access to sites have received CRB clearance according to current legislation. Accurate, secure records are maintained. CRB certificates are retained only according to legislation. Visitors not CRB checked are escorted on site. CRB re-checks are carried out according to legislation. 	<p>Limited Assurance</p> <p>7 High Risks 3 Medium Risks</p>	<ul style="list-style-type: none"> If staff, including volunteers and parent helpers, are not CRB cleared, there is a risk to the children and a reputational risk to the Council that due diligence has not been applied. If risk assessments are not carried out, there will be no evidence that people have been cleared as suitable to be in the School or Centre, whether supervised or not. The retention of CRB Certificates for more than 6 months or holding copies of Certificates is in contravention to the Code of Practice. There is a risk that regular visitors are assumed to be CRB cleared. A lack of control over access to personnel records contravenes Data Protection and could result in appropriate access. 	<ul style="list-style-type: none"> All visitors to be challenged and the status will be recorded in the Visitors Book. Status of all visitors to be checked so that those who do not qualify for CRB checks are escorted whilst on the school or centre premises. ISA/CRB Team to issue an instruction not to keep employee’s certificates or make copies of certificates. No assumptions will be made. Follow up initial discussions with PCT to ensure letters of reassurance are carried by NHS staff. Where poor practice is identified this will be rectified immediately.

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>Core Financial Systems – IT Controls</p>	<ul style="list-style-type: none"> • Documented policies and procedures exist to control user access to systems and data, and these policies and procedures are being followed. • Data in the systems is entered correctly in accordance with procedures. • Changes to programs, systems and applications are carried out in a suitably controlled environment. • Underlying computer operations are appropriately managed to support the key financial systems. 	<p>Limited Assurance</p> <p>5 High Risk 11 Medium Risks</p>	<ul style="list-style-type: none"> • The absence of some system-imposed segregation of duties functionality. • Loose and informal process for user account management at both the network and application level, potentially leading to users having higher than necessary permissions. • Over-reliance on small numbers of critical system-administration staff, which could lead to service disruption if there were unexpected or long-term absences. • Lack of system information on users and their associated permissions, limiting managers' ability to review their teams' permissions. • Lack of reviews of network privileged users (network administrators). • Lack of familiarity by operational managers with backup arrangements and frequencies, leading to over-reliance on the availability of backups in the event of system failures. 	<p>A series of separate reports have been agreed for individual systems and/or service areas. These included a range of management actions which should address many of the risks identified.</p> <p>We are still awaiting a detailed management response from the Corporate ICT Unit, to the range of risks identified for which the Unit has management responsibility.</p>

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
<p>Direct Payments – IT Controls</p>	<ul style="list-style-type: none"> The Active Directory permissions for Direct Payments data ensure access to the data is restricted. Only staff who work within the Direct Payments Team are members of the Direct Payments groups on Active Directory. 	<p>Substantial Assurance</p> <p>3 Medium Risks</p>	<ul style="list-style-type: none"> If regular reviews of user access are not undertaken, then users could have access to more information than is necessary for them to fulfil their roles representing a risk of potential loss or compromising of data. If staff who have access to Direct Payments data, but who do not work in the Direct Payments team, are used as 'same as' clones on new user set up forms, then the problem of more people having access to Direct Payments information than need it is amplified. Direct Payment data could be compromised if users do not have access removed after they have left their role in the Direct Payments Team. 	<ul style="list-style-type: none"> Immediate review of user access to DP information to address issues raised in audit report. 6 monthly review of user access to DP information going forward. Only use 'same as' clones if clone access has been checked first to ensure requirement is identical. Period review in 1 above will be further check. Request IT to remove access to DP data from all except the specified individuals. Request IT to remove access to DP data from all except the specified Individuals. Period review in 1 above will be further check to ensure this has not happened.
<p>Adult Placements – IT Controls</p>	<ul style="list-style-type: none"> The Active Directory groups for the AdultCare Placements staff are appropriate for their role. Only staff who work within the AdultCare Placements Team are members of the AdultCare Placements groups on Active 	<p>Limited Assurance</p> <p>1 High Risk 3 Medium Risks</p>	<ul style="list-style-type: none"> Spreadsheets containing confidential information not being password-protected when sent as e-mail attachments, in contravention of Council policy. 	<ul style="list-style-type: none"> Password attachments on e-mails going outside Wiltshire.gov.uk addresses and do not use whole names of clients in the body of these e-mails. Look at relationship the Council has with people to whom placements team need

Appendix 1 – Outcomes of Individual Opinion Audits 2010-11

Audited Activity	Audit Objectives	Audit Opinion	Risks and Main Issues	Management Actions Proposed
	<p>Directory.</p> <ul style="list-style-type: none"> The data held by the AdultCare Placements team is secure. 		<ul style="list-style-type: none"> Staff who have left the section not having their access to network folders removed. Inadequate isolation of team folders and files (from those of related but distinct teams), resulting in staff outside the team having access to confidential files. Lack of regular managerial reviews of network group membership and access permissions to folders and files. 	<p>to send e-mails in order to comply with the Council's Data Protection advice and rules.</p> <ul style="list-style-type: none"> Inform Steria when someone leaves the team and request removal of access rights. Make sure "read and write" access to "PLACEMENTS" folder is in existence for all Placements Team. Look at access for all other Wiltshire Council employees who need to look at these files with a view to them possibly being given "READ ONLY" access (check list of these for past employees, etc periodically) – but other managers to take ownership of this with their own teams looking at this new way of teams taking ownership of their own data within electronic file structures.

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Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Safeguarding Clauses in Contracts	Limited Assurance 1 High Risk	<ul style="list-style-type: none"> Where the recommended clauses are not included in a contract there is a risk that the Council could be seen as responsible if a safeguarding or welfare issue were to occur on one of the contracts. 	<ul style="list-style-type: none"> Will ensure that all existing contracts are updated to include the safeguarding clause in all contracts. Henceforth all new contracts must include the safeguarding clause. Compliance to be monitored annually. 	<ul style="list-style-type: none"> Action being taken or completed. <p>Children (DCE Contracts): Further advice has been sought from Legal and HR. An amended clause has been drawn up for approval by the Corporate Procurement and Commissioning Board. Timescale for implementation to existing contracts (through variations) and new contracts – October 2010.</p> <p>Vulnerable Adults (DCS Contracts): Existing contracts have been updated by a variation and the clause included in new contracts.</p> <p>Other Contracts: We also reviewed a sample of Passenger Transport contracts and found the new clause to be covered within the General Terms and Conditions.</p>
Reconciliations – Cash, investments and borrowings	Good 2 Medium Risks	<ul style="list-style-type: none"> The absence of regular reconciliations throughout the year increases the risk of inaccuracies in the Council's financial records. 	<ul style="list-style-type: none"> There were no defined processes in place for a bank reconciliation at the time of Go Live. Significant progress has been made in the last 5 months, and procedures are being 	<ul style="list-style-type: none"> Although bank reconciliations are considerably improved the presence of a significant number of unresolved items in all four bank accounts continues to

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> There is no independent verification of the bank reconciliations to ensure they are accurate, that all discrepancies have been properly explained and that appropriate action has been taken to resolve them. 	<p>established and finalised, with regular reconciliations now in place.</p> <ul style="list-style-type: none"> A dedicated team have been working on all bank reconciliations and regular reconciliations are now being undertaken. A monthly independent check by a senior finance officer will be introduced with effect from 31 March 2010. 	<p>present risks to the accuracy of Council's financial records. There is no documentary evidence as to who has completed each reconciliation.</p> <ul style="list-style-type: none"> Independent checks of bank reconciliations are not formally documented.
<p>Housing Rents</p>	<p>Limited Assurance</p> <p>3 High Risks 2 Medium Risks</p>	<ul style="list-style-type: none"> Failure to formulate appropriate business continuity arrangements in the event of the absence of the Housing Systems Administrator could lead to operational shut down and service failure of Simdell and supporting housing rents administrative systems, and thus potential loss and reputational damage. Failure to ensure arrears are cleared before offering new tenancies is a breach of the tenancy agreement and risks creating additional arrears which become unmanageable for repayment by the tenant. 	<ul style="list-style-type: none"> Previous investigations have failed to find a satisfactory solution to this issue. However, we will try again to identify an officer with the necessary skills to familiarise themselves with the procedures the System Administrator undertakes that cannot be covered by Aareon support or the Accounts Office. Neighbourhood Managers to do everything possible to ensure rent accounts are clear before offering new tenancy and on those occasions where this is not possible to seek authorisation of the Area Manager to start the tenancy. 	<ul style="list-style-type: none"> Database information has now been shared and further meetings have been held with Corporate IT. Cover for critical tasks has been discussed and further meetings to ensure this is achieved are being set up. Arrears are being checked prior to offers.

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> Failure to pursue current tenant arrears consistently and effectively in accordance with current policy risks financial loss to the council. 	<ul style="list-style-type: none"> Area Managers to hold regular one to one meetings with Neighbourhood Managers to ensure policy is applied consistently although it should be recognised that the policy does allow a degree of discretion and Neighbourhood Managers to receive refresher training on the policy. 	<ul style="list-style-type: none"> One to ones are taking place weekly. Consistent reduction in arrears across all patches has been achieved to date this financial year
Housing and Council Tax Benefits	Limited Assurance 2 High Risks 2 Medium Risks	<ul style="list-style-type: none"> Delay in implementing a single application solution to support Benefits functions, puts at risk early achievement of efficiencies, financial savings and effective outcomes from Lean reviews that meet council and external bodies' expectations. Until a single software application solution for Benefits is implemented, appropriate training and development of staff cannot be undertaken most effectively. 	<ul style="list-style-type: none"> Funding secured, procurement in progress, project lead to be appointed and project plan to be prepared (covers both risks) 	<ul style="list-style-type: none"> Funding has been secured. Project manager has been appointed. Evaluations of tenders July 2010. Project plan will be prepared when supplier known. Since the initial Follow Up, evaluations have been undertaken and a decision on the proposed supplier is imminent.
Car Parking	Limited Assurance 5 High Risks 12 Medium	<ul style="list-style-type: none"> There is a risk that income could be lost because the monitoring of income of each car park machine is not carried out and inconsistencies may go unnoticed. 	<ul style="list-style-type: none"> This reconciliation will be carried out by the Car Park Team. 	<ul style="list-style-type: none"> Actioned. A reconciliation process has been implemented. The process reconciles car park audit tickets to the amount of cash collected as reported by the cash

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
	<p>Risks</p> <p>(NB. Follow up work previously reported to June Audit Committee – 2 High Risks remained outstanding)</p>	<ul style="list-style-type: none"> • There are no controls in place to investigate discrepancies between expected and actual cash. 	<ul style="list-style-type: none"> • The car park income procedure currently being carried out in Salisbury will be used in the other hubs. This procedure involves posting the amounts collected as per the collection companies. This will then be compared to actual cash when the bank reconciliation is done. 	<p>collection companies.</p> <ul style="list-style-type: none"> • Using the information from the above reconciliation, the Car Park Team will take up significant variances (probably over £5 but not yet set) directly with the cash collection company.
<p>Highways Maintenance</p>	<p>Limited Assurance</p> <p>4 High Risks 9 Medium Risks</p>	<ul style="list-style-type: none"> • Customer details not always recorded – the customer will not be kept informed of progress. • In the event of system failure, manually logged calls may not be updated on the system, so defects will not be addressed. • Inconsistent or incorrect priority ratings – high priority work may not be given immediate attention. 	<ul style="list-style-type: none"> • Clarence to record. If customer wishes to withhold details, this will be recorded. Issue to be taken forward to Highways monthly meetings with Customer Care Unit (CCU). • Training of CCU staff. Proforma for manual reporting to be updated. • Where priority rating differs from the Inspection Manual, 'Special Instructions' field on EXOR to be completed explaining basis of decision. New protocol to be written. Training of area staff to be included in protocol. 	<ul style="list-style-type: none"> • Actioned. CCU has been advised to record the fact that the caller has requested anonymity. The name is not left blank. CCU confirms team is aware of this requirement. • Actioned. A new form has been created for the manual recording of Clarence reports. Checks for compliance have been introduced. • Due to ongoing changes within DNP, timescale for action agreed for November 2010. Will be re-tested after this time.

Appendix 2 – Outcomes of Follow-up of Individual Audits

Audited Activity	Audit Opinion	Main Risks	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		<ul style="list-style-type: none"> Inconsistent process for the maintenance of Inspection Logs – may not be possible to ensure defects have been actioned or completed. 	<ul style="list-style-type: none"> Manual Inspection Logs are being updated with electronic logs. Inspection Manual to be changed. 	<ul style="list-style-type: none"> Due to transition to electronic logs, timescale for action agreed for November 2010. Will be re-tested after this time.
<p>RFQ Pro Contract System</p>	<p>Good 1 High Risk 4 Medium Risks</p>	<ul style="list-style-type: none"> Failure to achieve an extensive market place could lead to failure to achieve Best Value at potential loss to the Authority 	<ul style="list-style-type: none"> This is a generic risk and is not entirely the fault of the system. This is a high risk but not in relation to the functioning of the project but rather the current situation. Proposed actions: To ensure that operators have market awareness and procurement training including awareness of the contract regulations; to ensure that suppliers are encouraged to register to ensure that we have access to suppliers; we have delayed the project to ensure that we have access to the wider Southwest Portal which will widen the available market place through the tool; and we will be able to invite suppliers to the portal from a market assessment. 	<ul style="list-style-type: none"> We have planned supplier days for this part of the implementation with taxi suppliers. <p>Procurement essentials training is currently being undertaken.</p> <p>We are now part of the SW portal. Wider discussion with other authorities in the portal demonstrate increased registration by suppliers</p>

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Internal Audit Benchmarking

Purpose of the Report

1. To present the Audit Committee with benchmarking information for Internal Audit, and thus draw attention to the position of Wiltshire's Internal Audit function in relation to other English unitary councils as a whole, and to a smaller group of unitaries comprising councils from the South West region and other former counties.

Background

2. Following the creation of Wiltshire Council on 1st April 2009, Internal Audit has become a member of the CIPFA Audit Benchmarking Club, in order to obtain a range of comparative information with regard to its unit costs, audit days, staffing levels etc. This report presents a sample of the latest available benchmarking information from CIPFA, based on both the 2009-10 actual outturn figures, and the 2010-11 budget and audit plan.

Main Considerations

3. Appendix A shows Internal Audit's position compared to other English unitary councils (excluding London and Metropolitan councils). Particular points to note are as follows:
 - That for both 2009-10 and 2010-11 the cost of Internal Audit in Wiltshire is significantly below the unitary average, both as a proportion of the Council's overall revenue spending, and in terms of the cost per chargeable audit day.
 - That chargeable audit days are below average in relation to revenue spending, whilst in terms of days per auditor they are at or slightly above the national average.
4. Appendix B compares Internal Audit with a smaller group of unitaries made up of councils from the South West region, together with three other former counties which became unitaries at the same time as Wiltshire. The main points to note are that within this smaller group Internal Audit costs in Wiltshire remain below the average, whilst chargeable days per auditor are significantly above average.

Environmental Impact of the Proposal

5. No environmental impact arises from issues raised in this report.

Financial Implications

6. Whilst there are no additional costs arising from this proposal, it presents positive evidence of the current value for money provided by the Council's Internal Audit function.

Reasons for the Proposal

7. To present the Audit Committee with benchmarking information for Internal Audit, and thus draw attention to the position of Wiltshire's Internal Audit function in relation to other English unitary councils as a whole, and to a smaller group of unitaries comprising councils from the South West region and other former counties.

Proposal

8. The Audit Committee is asked to note the benchmarking information for Internal Audit in Wiltshire, and its position compared to other English unitary councils (excluding London and Metropolitan councils). Particular points to note are as follows:
 - That for both 2009-10 and 2010-11 the cost of Internal Audit in Wiltshire is significantly below the unitary average, both as a proportion of the Council's overall revenue spending, and in terms of the cost per chargeable audit day.
 - That chargeable audit days are below average in relation to revenue spending, whilst in terms of days per auditor they are at or slightly above the national average.
9. The Committee is also asked to note that we intend to maintain our membership of the CIPFA Audit Benchmarking Club, in order to ensure that updated benchmarking information will continue to be available, and may be presented to future meetings as members wish.

Chief Finance Officer

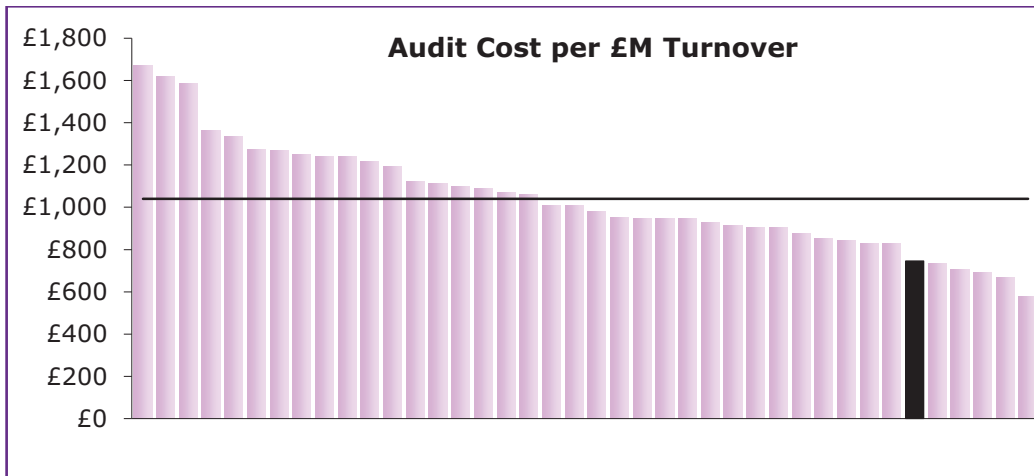
Report author: Steve Memmott, Head of Internal Audit

Unpublished documents relied upon in the preparation of this Report:

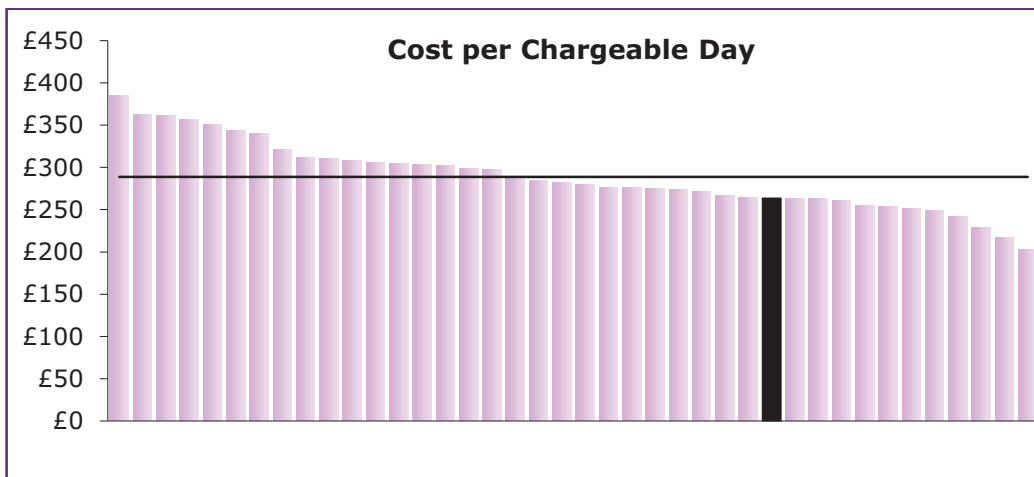
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Appendix A – WC Compared With Other English Unitary Authorities

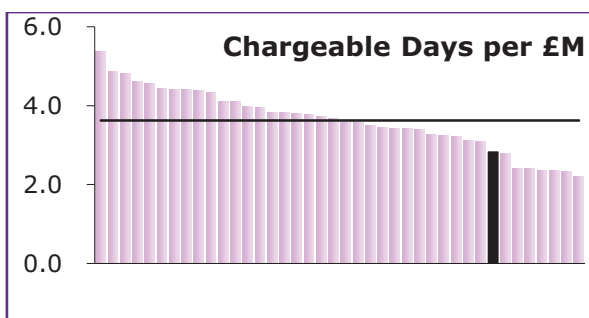
2009/10 Actuals



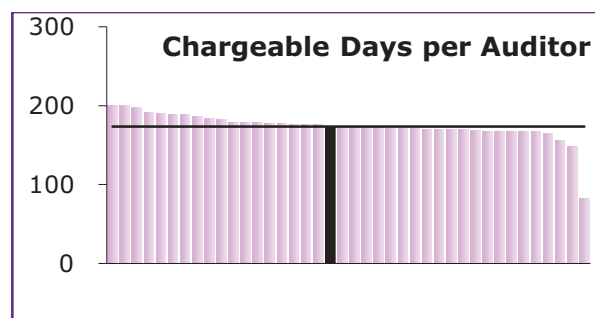
WC: £746 Average: £1,039



WC: £264 Average: £289



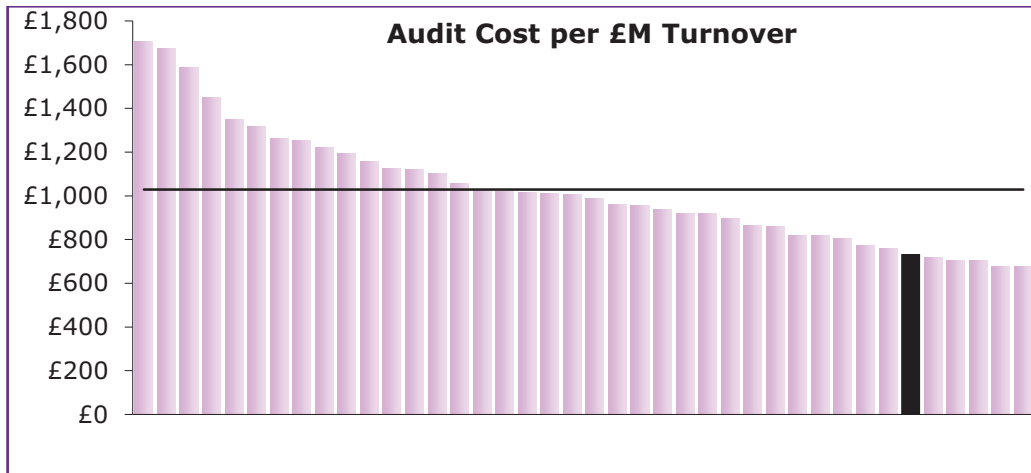
WC: 2.8 Average: 3.6



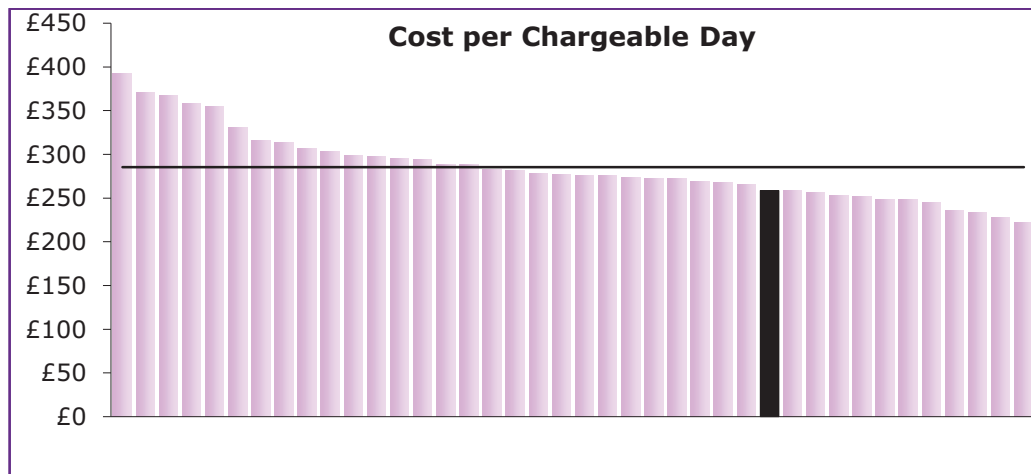
WC: 174 Average: 173

Appendix A – WC Compared With Other English Unitary Authorities

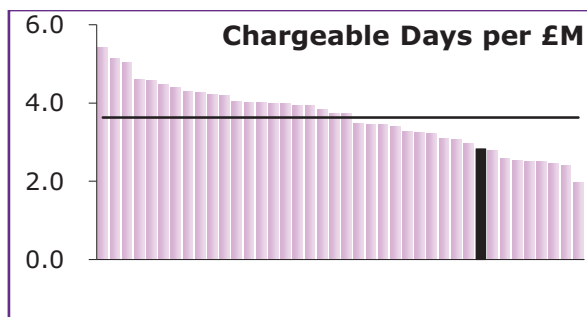
2010/11 Plan



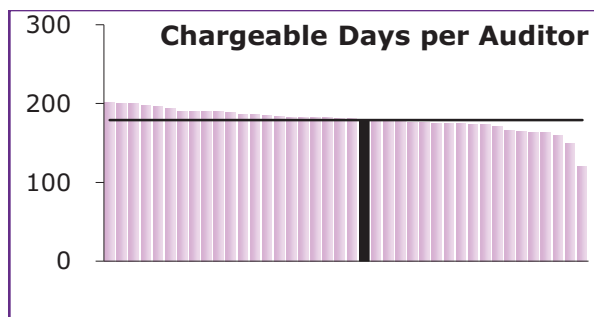
WC: £732 Average: £1,029



WC: £259 Average £285



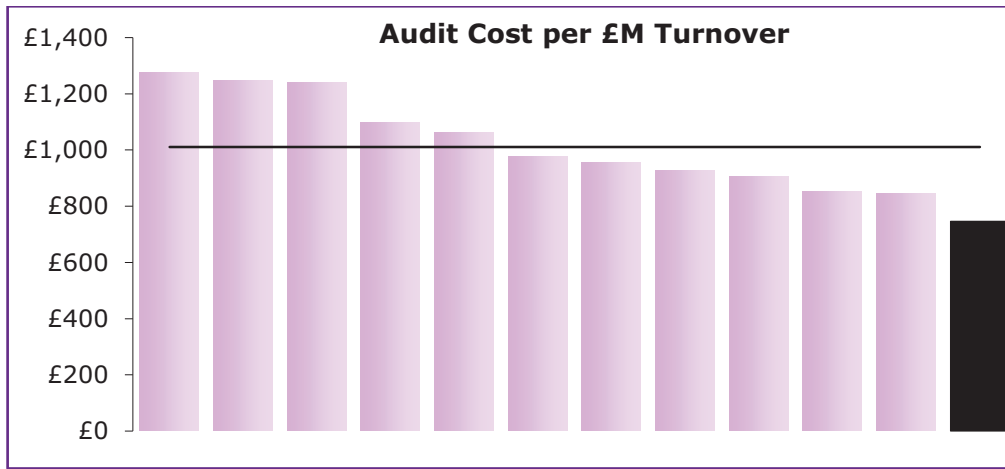
WC: 2.8 Average: 3.6



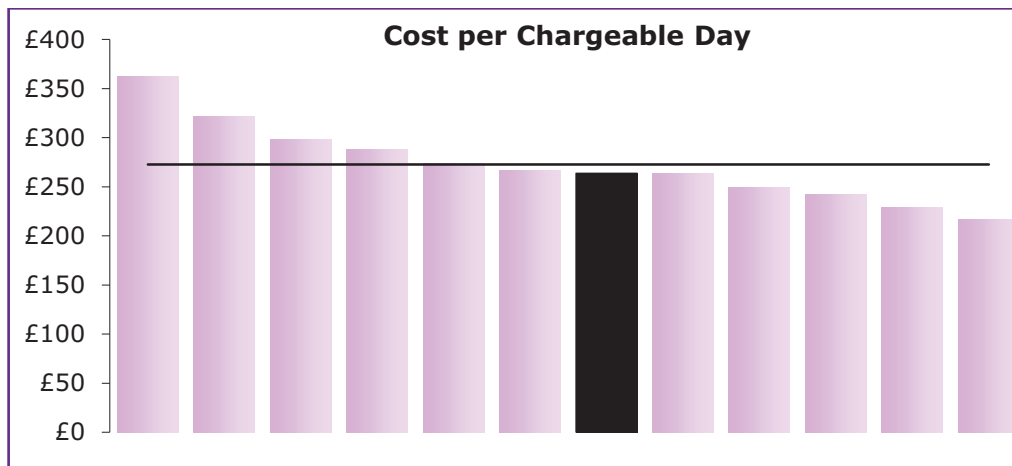
WC: 179 Average: 179

Appendix B – WC Compared With *Selected English Unitary Authorities

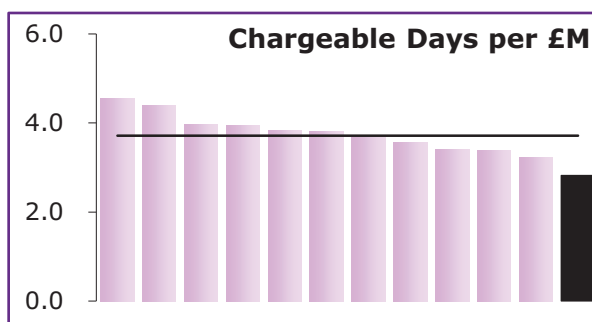
2009/10 Actuals



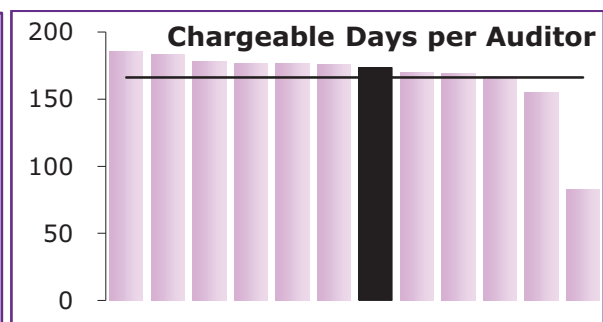
WC: £746 Average: £1,010



WC: £264 Average: £273



WC: 2.8 Average: 3.7



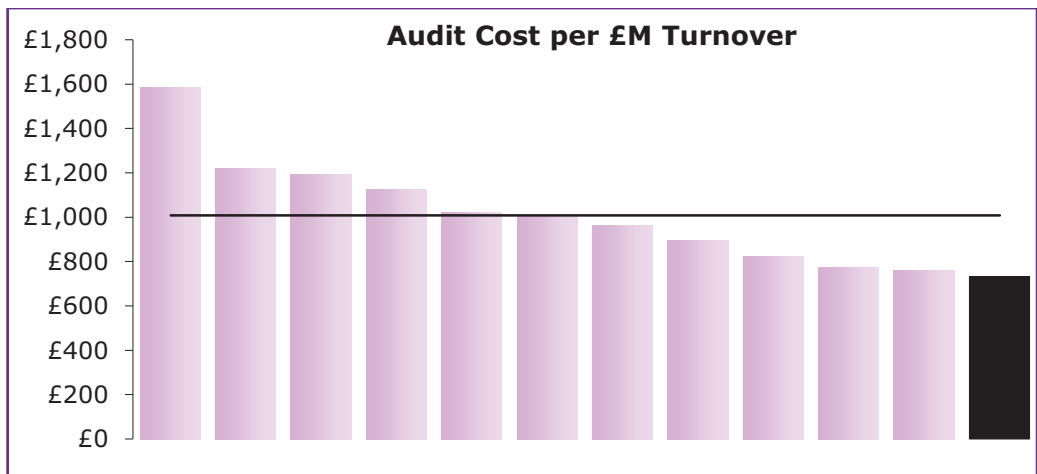
WC: 174 Average: 166

*Selected Authorities

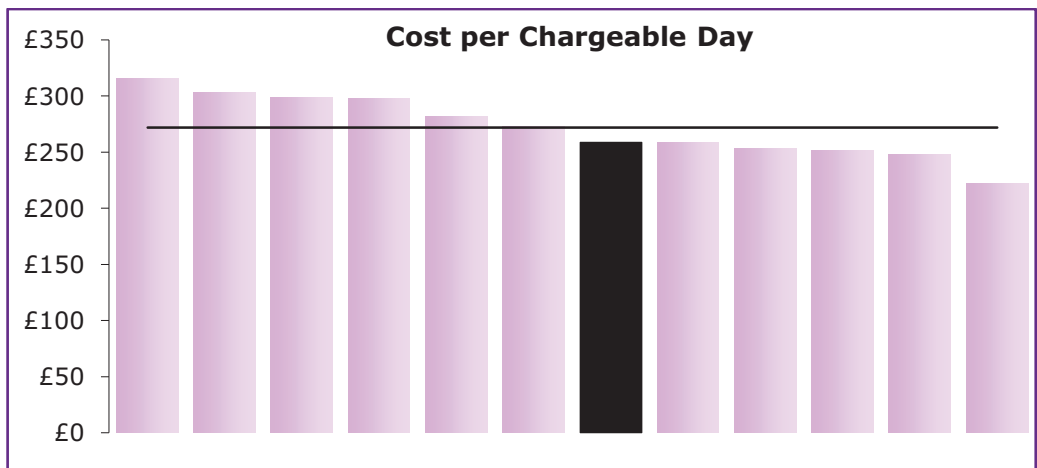
- | | | |
|---------------|----------------|-----------------------|
| Bath | North Somerset | Shropshire |
| Bournemouth | Northumberland | South Gloucestershire |
| Bristol | Plymouth | Swindon |
| Durham County | Poole | Wiltshire |

Appendix B – WC Compared With *Selected English Unitary Authorities

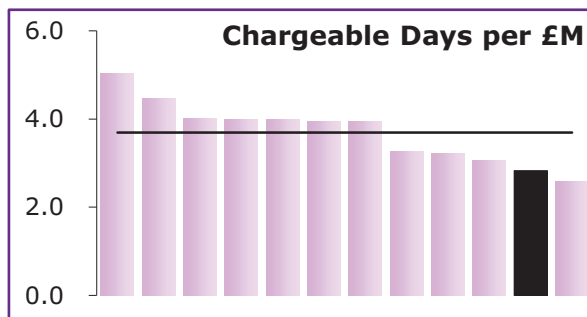
2010/11 Plan



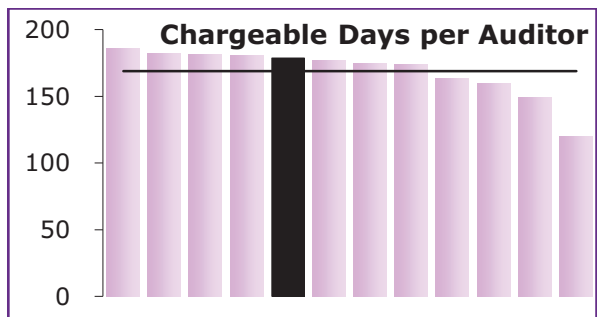
WC: £732 Average: £1,008



WC: £259 Average: £272



WC: 2.8 Average: 3.7



WC: 179 Average: 169

*Selected Authorities

- | | | |
|---------------|----------------|-----------------------|
| Bath | North Somerset | Shropshire |
| Bournemouth | Northumberland | South Gloucestershire |
| Bristol | Plymouth | Swindon |
| Durham County | Poole | Wiltshire |

Annual Governance Statement 2009/10

Purpose of the report

1. To ask the Audit Committee to approve the Annual Governance Statement for 2009/10.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2009/10. This has to be signed by the Leader of the Council and the Chief Executive after final approval by the Audit Committee on 30 September 2010.
3. Based on advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), the AGS should include:
 - an acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control;
 - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;
 - a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;
 - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;
 - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.
4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the six principles of good governance adopted in its Code of Corporate Governance. These principles are:
 - focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area;

- councillors and officers working together to achieve a common purpose with clearly defined functions and roles;
 - promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - taking informal and transparent decisions which are subject to effective scrutiny and managing risk;
 - developing the capacity and capability of councillors and officers to be effective;
 - engaging with local people and other stakeholders to ensure robust accountability.
5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2009/10, but must take account of any significant issues of governance up to the date of completion on 30 September. The AGS should outline the actions taken or proposed to address any significant governance issues identified.
 6. The AGS is drafted by members of the Assurance Group, which comprises senior officers who have lead roles in corporate governance and member representatives from the Audit Committee and the Standards Committee.
 7. The evidence for the AGS comes from three primary sources - an assurance framework, based on the Use of Resources assessment documents, directors' assurance statements, and from relevant lead officers within the organisation.
 8. A first draft of the AGS was considered by Audit Committee on 30 June 2010. It was then considered by the Standards Committee on 21 July 2010 and Cabinet on 14 September 2010. The main changes that have been made to the AGS since it was first considered by Audit Committee on 30 June 2010 are highlighted below.

Draft AGS - Content

9. A copy of the final AGS for 2009/10 is attached at Appendix 1.
10. Section C of the AGS describes the Council's governance framework for the relevant period, namely April 2009 to 30 September 2010. Since the draft AGS was first considered by the Audit Committee on 30 June the following changes have been made to this section:

- the arrangements concerning the Forward Plan have been amended to reflect the position during the relevant period. (see paragraph 15 of the AGS)
- a reference to the Council's business continuity arrangements has been added. (see paragraph 38 of the AGS)

11. Section D provides a review of the effectiveness of the Council's governance framework. This section has been structured to reflect the key governance principles set out in the Council's Code of Corporate Governance.

12. The following amendments have been made to Section D of the draft AGS since it was considered by the Audit Committee on 30 June:

- reference to work undertaken to strengthen the Council's partnerships governance arrangements, including a revised Partnership Protocol and Register (see paragraph 59 of the AGS);
- a reference to the granting of dispensations by the Standards Committee to members of Area Boards, and the related issue of the size and composition of some Area Boards (see paragraph 58 of the AGS)
- a summary of the progress being made in the development of the Council's business continuity arrangements (see paragraphs 84 to 86 of the AGS)
- the inclusion of the item on management of budget pressures in 2010/11 and beyond in this section rather than section E. Whilst this is clearly recognised as a significant issue for the Council it is not considered to be a significant issue of governance or internal control as the Council has robust arrangements in place to manage the situation. (see paragraphs 87 to 91 of the AGS).

13. The levels of assurance obtained from the range of audits completed during the year by Internal Audit has led to the overall audit opinion that for 2009-10, the Council's overall control environment must be seen as limited in terms of its adequacy and effective operation. A key factor influencing this outcome has been the major structural reorganisation which took effect from 1st April 2009, moving from five councils into one, and the inevitable significant transition and upheaval which followed as a result. The overall response of management to the various risks and issues raised has been positive and constructive. The need to improve controls is recognised and work is in progress to achieve the desired outcomes.

14. The Assurance Group has obtained assurance statements from directors in relation to their services and any issues which impact upon the

Council's governance arrangements have been included in the final version of the AGS.

15. Section E of the draft AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period. i.e. the financial year 2009/10 through to the date of publication of the AGS at the end of September 2010.

16. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:

- the issue has seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- the issue has led to a material impact on the accounts;
- the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
- the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

17. The following have been identified as significant governance issues in view of their size, complexity and impact on the delivery of the Council's services and priorities. (see page 20 of the AGS):

- **SAP Financial Systems**

(This was added as a result of the Audit Committee's consideration on 30 June)

Many of the Council's main financial systems were transferred into the newly-implemented SAP system from 1st April 2009. This represented a very significant transition for the processing of financial transactions, and throughout 2009-10 staff have needed time to become conversant with a wide range of new processes, whilst trying to ensure that financial functions continue to work within an adequate control environment. This transitional period has therefore had an adverse impact on system controls, which have not been fully effective throughout the year. This has been a contributory factor in internal audit giving an opinion of limited

assurance on the Council's control environment for the year. It has also resulted in external audit raising a significant number of recommendations for improvements.

Following the implementation of SAP the Council's financial systems have been undergoing gradual developments and improvements during the latter part of 2009-10, when management has been able to give increased focus and attention to improving control issues. This work is continuing through 2010-11 in order to ensure that financial controls are improved further within SAP systems, and are brought up to the required standard as systems and procedures become more established and robust.

- **Housing Landlord Service Improvement Plan**

(This has been added as a significant governance issue in view of the outcome of the audit inspection in February 2010 and the significant challenge that is involved in delivering the Improvement Plan)

In February 2010 the Audit Commission inspected the Council's housing landlord service. A number of weaknesses were identified and overall the service was rated as poor. The Council has prepared a detailed Audit Inspection Improvement Plan to deliver significant improvements to the service by April 2010, and has established a Steering Group to ensure its implementation. Major improvements to date include the setting up of a new commission involving tenants, councillors and representatives from other housing partners to ensure that tenants are getting the best deal possible; publication of a new set of service standards, and the provision of a new customer reception which has full disabled access. The Tenant Services Authority has noted that significant improvements have been made in the areas of complaints and customer feedback, repairs and maintenance and equality and diversity. Progress has, however, been slower in other areas and action is being taken to address these.

Progress against the improvement plan will be monitored by the new Housing Commission.

- **Implementation of the Transformation Programme**

Implementation of the Council's major transformation programme following reorganisation, including Workplace Transformation, transformation of services and harmonisation of policies and practices (including staff terms and conditions);

18. The Council's external auditors have been consulted on the draft AGS and their comments have been taken into account in the final version of the AGS.

Financial implications

19. There are no financial implications arising directly from the issues covered in this report.

Risk Assessment

20. The production of the AGS is a statutory requirement. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Environmental Impact

21. There is no environmental impact regarding the proposals in this report.

Equality and Diversity Impact

22. There are no equality and diversity issues arising from this report.

Reasons for the Proposal

23. To prepare the AGS 2009/10 for publication in accordance with the requirements of the Audit and Accounts Regulations.

Proposal

24. The Committee is, therefore, asked to consider and approve the AGS as set out in Appendix 1 for publication with the Annual Statement of Accounts for 2009/10.

Ian Gibbons
Solicitor to the Council and Monitoring Officer

Report Author: Marie Lindsay, Ethical Governance Officer

Unpublished documents relied upon in the production of this report:

The CIPFA Finance Advisory Network - The Annual Governance Statement

Annual Governance Statement 2009-10



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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 2010 and up to the date of approval of the statement of accounts for 2009/10

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).

Purpose and Planning

8. The Council's vision of creating stronger, more resilient communities is set out in the Corporate Plan 2010-2014. The vision is underpinned by the three goals:
 - deliver high quality, low cost, customer focused services;
 - ensure that decision making is local, open and honest; and
 - work together to support Wiltshire's communities.
9. The Council's Medium Term Financial Plan reflects the Council's goals and priorities. The management of the Council's strategic risks helps achieve the Council's objectives.
10. In its Corporate Plan the Council has identified nine priorities which are reflected in the plans and strategies of its services. Detailed service plans are linked to the Corporate Plan by the 'golden thread'.

Policy and Decision-Making Framework

11. 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.
12. 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, Overview and Scrutiny Select Committees, Standards Committee, Audit Committee and Area Boards.
13. Governance and reporting arrangements for the Council are being developed as part of the current review of the Constitution.
14. The Cabinet is responsible for discharging the executive functions of the Council, within the budget and policy framework set by the Council.
15. 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. Whilst not a legal requirement, the Council also publishes Forward Work Plans for Council and main committees.
16. Schemes of Delegation are in place for Cabinet Members and Officers to facilitate efficient decision-making. These are being reviewed as part of the review of the Constitution.

17. The Council has established 18 area committees known as area boards. Each area board exercise local decision making under powers delegated by the Leader.
18. New Overview and Scrutiny arrangements were developed for the unitary authority. They consist of four main select committees covering 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 have also been undertaken when time constraints existed. The boards of some major projects have also provided for the appointment of a scrutiny member representative.
19. These bodies and activities serve to hold the Cabinet, individual Cabinet Members and Corporate and Service Directors to public account for their executive policies, decisions and actions.
20. 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.
21. 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
22. The Constitution is reviewed regularly by the Monitoring Officer and the Standards Committee to ensure that it remains fit for purpose. It was last revised in 2008-09 to ensure that it was fit for the purposes of the new Wiltshire Council. The Standards Committee has established a constitution focus group with cross-party membership, which has been tasked with reviewing the Constitution now that the unitary authority has been operational for a year. Any changes recommended by the focus group will be referred to full Council for approval.

Wiltshire Pension Fund

23. 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).

24. 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.

25. 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

26. 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

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

28. 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.

29. The council has established an Assurance Steering 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 steering group with information about issues on which the steering group is seeking assurance. Officers can also bring concerns forward to the group for consideration.

30. The Assurance Steering Group meets regularly, and has a forward work plan. It is responsible for gathering evidence for and drafting the Annual Governance Statement. It identifies significant governance issues throughout the year, and oversees the implementation of measures to address any issues that it identifies. It has a key role in promoting and supporting sound governance across the organisation.
31. The group is supported by the Chief Executive, who acts as a link between the steering 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

32. 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.

33. 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 earlier in 2010.

Performance and Risk Management Reporting

34. The Council's Corporate Plan identifies the Council's priorities, and these are cascaded through a comprehensive performance management system to specific action, indicators and targets for services. Progress is reported quarterly, and this also includes progress against the Local Agreement for Wiltshire with partners. SAP Strategy

Manager is being implemented to improve the processes used for performance and risk management.

- Performance update reports are received by Cabinet and the Corporate Leadership Team (CLT) on a quarterly basis
- CLT also receives performance information on aspects of its 'scorecard'.

35. The Council's framework policy on the management of resources, performance and risk outlines the way we manage and control the performance, budgets and risks associated with the Council's services in an integrated way. The integration of these processes informs and influences the Corporate Plan and Medium Term Financial Strategy, ensuring a more cohesive approach to managing the business of the Council as a whole.

36. The Risk Management Strategy has been reviewed for the new Council to ensure that risk management arrangements remain appropriate. 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 objectives.

37. The Risk Management Strategy is approved by Cabinet annually and gives a clear explanation of what risk management is, and what is expected from members and employees in the Council. Quarterly reports which cover the significant risks are submitted to the Corporate Leadership Team on a quarterly basis and to the Audit Committee 6 monthly.

38. 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

39. 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.

40. 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.

41. 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

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

Directors' Assurance Statements

43. Directors' assurance statements have been obtained from each Corporate Director. These confirm that suitable governance arrangements were in operation within each department during 2009/10 to date and there are no significant governance issues to report other than those referred to in Section E.

Monitoring Officer

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

D. Review of Effectiveness

45. 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.

46. 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.

47. The effectiveness of the Council's assurance framework and system of internal control is assessed against these 6 principles.

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

48. The Council's goals and priorities are set out in its Corporate Plan. This supports the shared ambitions from the Sustainable Community Strategy that have been agreed with partners and are shown in the Local Agreement for Wiltshire (LAW). The LAW incorporates the Local Area Agreement (LAA) with government. Its 7 ambitions for Wiltshire are:

- Resilient communities
- Affordable housing
- Lives not services
- Environment for economic growth
- Communities safe and feel safe
- Natural environment and CO₂
- Working together

49. The LAW joins up action across partners and partnerships to tackle issues and achieve the ambitions for Wiltshire. The LAW outlines which organisations and partnerships will take particular action and the people and places in Wiltshire that will particularly benefit from that action.

50. In December 2009 the first Comprehensive Area Assessments were published. This includes the award of 'flags':

- Green flags for exceptional performance/outstanding improvement
- Red flags for significant concerns which are not being tackled adequately

51. Wiltshire received a 'green flag' for *Involving people in decisions that affect their local community*. It received no red flags.

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

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

- Involvement of the Leader of the Council in the corporate induction process.
- Monthly briefings led by corporate directors in each of the council's hub offices. The implementation of new fresh channels of communications: Team Wire (an on-line briefing for staff), the staff magazine, and the Wiltshire Magazine, delivered to all households in Wiltshire and providing information about council services, how to get involved, and information from partner agencies.
- The clarification of lead roles and responsibilities in partnerships, in the context of the Local Area Agreement (LAA) delivery requirements.

53. The development of area boards has played a key role in ensuring robust public accountability and engagement. The 18 area boards are led by Councillors working in partnership with other agencies, groups and local people. They were developed following extensive engagement with interested parties and stakeholders (including the Town and Parish Councils) and a piloting period before the 98 new unitary Councillors were elected in June 2009.

54. Each area board is chaired by a Councillor who is elected annually by the other Councillors in the area. The governance arrangements for the area boards is set out in the Council's Constitution and in further detail in the Area Board Handbook. A review of the area boards has been carried out after 6 months of operation and the Handbook is being further revised. The area boards ensure open, transparent decision-making and a system

enabling citizens to raise and track issues of concern to them and their communities.

55. Further work is being carried out to ensure that the area boards are as inclusive as possible for the whole community. This work includes ensuring that there is easy access to information that could be of interest to local people, for example with mini Joint Strategic Needs Assessments for each community area, information on the Council's annual Budget, the Core Strategy and the Local Transport Plan.
56. 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.
57. In March 2009, this work was recognised nationally with the Council being awarded the Local Leadership Award by the Local Government Chronicle. The Council has been shortlisted further during the year by the Local Government Association and Improvement and Development Agency's Local Innovations Award. Funding has also been allocated for the dissemination of the Council's practice to other Councils by the South West Regional Improvement and Efficiency Partnership and the Regional Empowerment Partnership. The Council also contributed during this period as one of the 18 authorities on the Network of Empowering Authorities and helped to develop the framework for "the ideal empowering authority" which was launched in March 2010 at a conference with a keynote speech from Andrew Kerr.
58. The Standards Committee has granted a number of dispensations to members of Area Boards who are members of both Wiltshire Council and of Wiltshire Town Councils. They have asked the Monitoring Officer to consider whether the structural arrangements for membership of Area Boards which result in members having personal and prejudicial interests in business affecting both authorities that they represent will promote public confidence in the Council's accountability and transparency.
59. 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

60. The Constitution sets out clearly the roles and responsibilities of members and officers in the decision making process. This includes schemes of delegation which are being reviewed within the Constitution Review.
61. 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

62. 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.
63. 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 these policies. Following approval of the updated Anti-Fraud and Corruption Policy, the Council implemented an online fraud awareness training course, which was made available to all staff and members. In addition, the Audit Committee has responsibility for monitoring the implementation of the Anti Fraud and Corruption policy and strategy.
64. The council has established a new governance service with responsibility 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. In connection with the last two functions listed, it has appointed two ethical governance officers.
65. In August 2009 the governance service sent a "welcome pack" to all of the 276 town and parish councils within its area. The pack was developed in collaboration with the Standards Committee, who established a working group to explore how best to promote good governance within the towns and parishes. Wiltshire Association of Local Councils (WALC), which is an independent organisation that supports town and parish councils, also made a significant contribution to the pack. The pack included a letter that outlined the work of the Standards Committee, gave specific information about how to access various functions of the committee and the council in relation to the Code of Conduct and dispensations, and provided contact names and numbers. The pack also contained a copy of "The Good Councillor's Guide" – a book provided by WALC, a leaflet on the Code of Conduct developed by the Standards Committee's working group, a DVD on standards and the Code produced by Standards for England, and a number of other useful materials related to good governance. The pack was well received and featured in a number of subsequent town and parish council meetings.

66. 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. The Committee has developed and published a leaflet for the public explaining its role. Working with officers, the Committee has ensured that the Member Induction Programme for the new Council included Code of Conduct training for the 98 members of Wiltshire Council and further training was provided. The Standards Committee has also developed a training session for town and parish members on the Code and the principles of good governance. This was piloted in April 2010, and is being further developed in the light of feedback, for rollout on a targeted basis.
67. The Committee has also had oversight of the development and implementation of a new on-line Code of Conduct training package for Wiltshire councillors, and has established a number of task-and-finish groups to explore the development and promotion of high standards of conduct. In addition to this pro-active role, 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.
68. The Committee has fulfilled its statutory role by receiving, assessing and determining a number of complaints brought under the Code of Conduct for members, 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

69. 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. As part of its review of internal control, the Council is required to review the effectiveness of its system of internal audit. This has been done by means of an assessment of internal audit's current arrangements for meeting the various standards within the Code.
70. 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.
71. 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 2009-10, the Council's overall control environment must be seen as limited in terms of its adequacy and effective operation. When seen in the context of the major structural reorganisation which took effect from 1st April 2009, moving from five councils into one, and the inevitable

significant transition and upheaval which has followed, this level of assurance should not be seen as unreasonable in the circumstances.

72. The overall response of management to the various risks and issues raised has been positive and constructive. The need to improve controls is recognised and work is in progress to achieve the desired outcomes. Given the evidence of progress towards control improvements during the latter part of the year, Internal Audit would be looking towards an improved level of assurance for 2010-11, as systems and procedures become more established and robust.

External Audit

73. The latest Annual Audit Letter, issued by KPMG in respect of Wiltshire County Council for 2008-9, was presented to the Audit Committee in December 2009. The Letter summarised the key issues arising from the audit of the final year of the County Council, in relation to its Use of Resources assessment, and the Statement of Accounts

74. The Letter highlighted the key messages as follows:

- The Use of Resources assessment demonstrated that the Council performed adequately, scoring level two (out of four) for all three themes, whilst performing well (level three) for certain elements within each theme. Specific weaknesses were identified within the managing finances theme regarding financial reporting.
- A number of material significant issues were identified in the course of auditing the Council's Statement of Accounts. Adjustments were therefore made to the accounts, and an unqualified opinion issued on the Council's Statement of Accounts, and a qualified opinion on the Council's arrangements for securing value for money in 2008-09.
- Specific risk based project work generated generally positive messages regarding the Council's management of the areas reviewed, and also its comprehensive delivery of agreed actions from earlier audit reports. Reports issued at key stages leading up to the vesting day for the new Council confirmed that good progress had been made overall. The Council had delivered the preparations necessary for the vast majority of the key actions identified in the 'Day One' plan.

75. The Audit Committee has included within its work programme a regular monitoring process to ensure that appropriate closedown procedures are in place for the preparation of the Council's Statement of Accounts for 2009-10.

Comprehensive Area Assessment (CAA)

76. The CAA provides two judgements; an area assessment of how public services work together in an area and an organisational assessment of

particular organisations. As a 'reorganising authority' the Council did not receive a score for its organisational assessment. Its CAA Organisational Assessment summary is:

- The Council has managed the transition from five councils to one well. Leadership during the process has been strong. The Council is keen to change the way that it works so that local people are more involved in decisions and delivering services. It has set up 18 area boards covering the whole of Wiltshire to help make this happen. People in Wiltshire are happy with their ability to influence decisions and the way that public services treat them.
- The Council is working well to support local people and businesses through the recession. Most children make a good start in life, enjoy good health and achieve well in education and training.
- The gap between the majority and those whose circumstances make them vulnerable is closing in some areas, but the picture is inconsistent for different groups. The Council is transforming its adult care services to respond to increasing demand and provide better services. The Council's waste management arrangements are strong. Wiltshire Council works well with partners to reduce crime and the fear of crime in the county. This is reflected in survey data that demonstrates that residents do not think that antisocial behaviour, drug and alcohol abuse are not big concerns in their local area.
- Wiltshire is very well kept. But the Council has only started work on dealing with climate change fairly recently. Planning performance in some parts of the county has been poor but are starting to improve.
- More needs to be done to tackle inequality in Wiltshire. The Council and other public services have a good understanding of where inequality occurs. They are working together to meet the needs of people such as gypsies and travellers who do not find it as easy to get the services they need.
- The Council's housing plans are currently incomplete. It has inherited a range of plans and information from the previous four district councils that it is working to consolidate into a single countywide plan by 2010. The Council's approach to private sector housing and management of its own houses is a concern.

77. The Council's Use of Resources score was 2 out of 4 (adequate).

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

78. 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.

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

80. 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 partners delivering residential care, highways maintenance and consultancy, facilities management, waste management, PFI projects, ICT and energy supply
- Reviewing the implementation of major corporate projects including the business management programme (and shared services), development of area boards, workplace transformation, customer access strategy and harmonisation of staff terms and conditions
- Monitoring the Council's (and its statutory partners) performance against local area agreement targets and those in its (one year) corporate plan
- Engaging in the Council's budget setting process and budget monitoring
- Engaging in the development of the new (four year) corporate plan
- Initiating reviews into matters of local concern relating to service delivery and contributing to the development and review of policy including:
 - empty homes policy, climate change strategy, flood risk management, gypsy and traveller strategy, waste strategy, car parking, leisure services strategy, housing PFI project and real time passenger information;
 - Laverstock schools, looked after children, 13-19 strategy, teenage pregnancy, extended services and local collaborative partnerships, pupil performance and small schools strategy;
 - 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 and GWR ambulance services performance.

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

- review and approval of the Annual Governance Statements and Statements of Accounts of the former county and district councils for

2008/09

- 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.

82. Risks are identified and monitored by service departments. Significant risks are identified and put on the Corporate Risk Register. These are reviewed on a regular basis by the Corporate Risk Management Group. Reports are issued on the significant risk areas through the Councils 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.

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

84. 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 Workplace Transformation Programme.

85. Awareness of the business continuity process and response arrangements has been variable across the organisation. The new Plan will be tested to ensure resilience and will be widely publicised among staff with the provision of relevant training. Further work will be undertaken with service representatives to improve and embed the arrangements within their services.

86. The Business Continuity Policy was reviewed this summer in order to improve management arrangements.

87. The economic situation is placing increased pressures on the availability of resources within the public sector. This is, in part, due to the combination of higher take up of some services and a reduction in usage of some discretionary services.

88. The pressures have been exacerbated by the reductions in availability of resources as the new coalition government aim to tackle the national deficit.

89. The Council takes regular monthly reports to members, which show the current position against budget and highlight any major variances. These reports reflect the information from the coalition Government's emergency budget in June 2010 and other announced changes. The reports include action plans and management actions with details on how to reduce any potential overspends.
90. The authority will continue to regularly monitor the forecast outturn position, report to Members and, where necessary propose and undertake management actions to deal with cost pressures.
91. The Council is developing a high level business plan for 2011/12 to 2014/15 that will take into account the comprehensive spending review that will be announced in Autumn 2010. The plan will demonstrate how the council will manage forecast cuts in government grant whilst also maintaining and investing in priority services.

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

92. 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.
93. 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.
94. A cross party Councillor Development Group meets regularly to monitor and discuss progress on member development. The group is working towards the achievement of charter status.
95. Wiltshire Council continues to deliver key actions from the People Strategy 2008-2012. 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.
96. 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

- A business focussed 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 Corporate and Business Plan
- Harmonisation of Terms and Conditions – deliver the most cost effective solution to harmonised terms and conditions post Unitary Council 1st April 2009.

E) Significant Governance Issues

97. 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

98. Many of the Council's main financial systems were transferred into the newly-implemented SAP system from 1st April 2009. This represented a very significant transition for the processing of financial transactions, and throughout 2009-10 staff have needed time to become conversant with a wide range of new processes, whilst trying to ensure that financial functions continue to work within an adequate control environment. This transitional period has therefore had an adverse impact on system controls, which have not been fully effective throughout the year. This has been a contributory factor in internal audit giving an opinion of limited assurance on the Council's control environment for the year. It has also resulted in external audit raising a significant number of recommendations for improvements.

99. Following the implementation of SAP the Council's financial systems have been undergoing gradual developments and improvements during the latter part of 2009-10, when management has been able to give increased focus and attention to improving control issues. This work is continuing through 2010-11 in order to ensure that financial controls are improved further within SAP systems, and are brought up to the required standard as systems and procedures become more established and robust.

Housing Landlord Service Improvement Plan

100. In February 2010 the Audit Commission inspected the Council's housing landlord service. A number of weaknesses were identified and overall the service was rated as poor. The Council has prepared a detailed Audit Inspection Improvement Plan to deliver significant improvements to the service by April 2010, and has established a Steering Group to ensure its implementation. Major improvements to date include the setting up of a new commission involving tenants, councillors and representatives from other housing partners to ensure that tenants are getting the best deal

possible; publication of a new set of service standards, and the provision of a new customer reception which has full disabled access. The Tenant Services Authority has noted that significant improvements have been made in the areas of complaints and customer feedback, repairs and maintenance and equality and diversity. Progress has, however, been slower in other areas and action is being taken to address these.

101. Progress against the improvement plan will be monitored by the new Housing Commission.

Implementation of the Transformation Programme

102. Implementation of the Council's major transformation programme following reorganisation, including Workplace Transformation, transformation of services and harmonisation of policies and practices (including staff terms and conditions).

Jane Scott
Leader of the Council

Andrew Kerr
Chief Executive

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Proposed Draft Forward Work Programme for Audit Committee 2010/11

Meeting Date and Time	Name of Report	Officer	Scope of Report
December 15 2010	Update Review of the Constitution	TBC	Verbal update/or drafted Chairman's announcement
December 15 2010	Internal Audit Progress Report 2010-11	Steve Memmot, Chief Auditor	Report
December 15 2010	Annual Audit Letter	Darren Gilbert, KPMG	TBC
December 15 2010	Post Implementation SAP Report	Chief Finance Officer	Report
December 15 2010	Monitoring Benefits Realisation	Darren Gilbert, KPMG	Report
March	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal Update and Report
March	Internal Audit Progress Report	Steve Memmott, Chief Auditor	Report
March	Audit Progress Report 2010-11	Darren Gilbert, KPMG	Report
March	Internal Audit Progress Report 2010-11	Steve Memmott, Chief Auditor	Report
March	Progress Report on 2010 – Preparation of Final Accounts.	Chief Finance Officer	Report
June	Annual Audit Fee 2011-12	Darren Gilbert, KPMG	Main proposals contained within the Annual Audit Fee
June	Interim Audit Report 2010-11	Darren Gilbert, KPMG	Progress report
June	Internal Audit Annual Report 2009-10	Steve Memmott, Chief Auditor	Report
June	Internal Audit Plan 2010-11	Steve Memmott, Chief Auditor	Report
June	Draft Set of Financial Accounts 2010-11	Chief Finance Officer	Completed accounts to

			September meeting
September	Annual Governance Statement	Ian Gibbons, Monitoring Officer	Final statement to be submitted to September meeting
September	Statement of Accounts	Chief Finance Officer	Report
September	Report to those charged with governance	Darren Gilbert, KPMG	Report
September	Internal Audit Progress Report 2011-12	Steve Memmott, Chief Auditor	Report
September	Risk Management Update	Eden Speller, Head Business Arrangements	Verbal update and report