

AGENDA

Meeting: Audit
Place: Council Chamber - Council Offices, Monkton Park, Chippenham,
SN15 1ER
Date: Wednesday 4 September 2013
Time: 1.00 pm

Please direct any enquiries on this Agenda to Stuart Figini of Democratic Services, County Hall, Trowbridge, direct line (01225) 718376 or email stuart.figini@wiltshire.gov.uk

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Membership:

Cllr Richard Britton
Cllr Tony Deane (Chairman)
Cllr Stewart Dobson
Cllr Howard Greenman
Cllr David Jenkins
Cllr Julian Johnson
Cllr Jacqui Lay

Cllr Stephen Oldrieve
Cllr Helen Osborn
Cllr Linda Packard
Cllr Sheila Parker (Vice Chairman)
Cllr David Pollitt
Cllr James Sheppard

Non-Voting Members
Cllr Jane Scott OBE

Cllr Dick Tonge

Substitutes
Cllr Trevor Carbin
Cllr Chris Caswill
Cllr Terry Chivers
Cllr Peter Edge
Cllr Peter Evans
Cllr Nick Fogg

Cllr Mike Hewitt
Cllr Chris Hurst
Cllr George Jeans
Cllr John Noeken
Cllr Jeff Osborn

Part I

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

1 Apologies and Membership Changes

2 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 18 June 2013 (copy attached)

4 Members' Interests

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

5 Public Participation and Committee Members' Questions

The Council welcomes contributions from members of the public.

Statements

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 on the front of the agenda for any further clarification.

Questions

To receive any questions from members of the public or members of the Council received in accordance with the constitution. Those wishing to ask questions are required to give notice of any such questions in writing to the officer named on the front of the agenda (acting on behalf of the Director of Resources) no later than **5pm on Wednesday 28 August 2013**. Please contact the officer named on the front of this agenda for further advice. Questions may be asked without notice if the Chairman decides that the matter is urgent.

Details of any questions received will be circulated to Committee members prior to the meeting and made available at the meeting and on the Council's website.

6 Report to those Charged with Governance (Pages 9 - 34)

A report by the Service Director of Finance is attached.

7 Annual Governance Statement

A report by the Solicitor to the Council and Monitoring Officer will be circulated.

8 Statement of Accounts 2012/13 (Pages 35 - 126)

A report by the Service Director of Finance is attached.

9 Date of next meeting

To note that the next regular meeting of the Committee will be held on 17 September 2013.

10 Urgent Items

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

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 18 JUNE 2013 AT ALAMEIN SUITE - CITY HALL, MALTHOUSE LANE, SALISBURY, SP2 7TU.

Present:

Cllr Richard Britton, Cllr Tony Deane (Chairman), Cllr Stewart Dobson,
Cllr Howard Greenman, Cllr David Jenkins, Cllr Julian Johnson, Cllr Stephen Oldrieve,
Cllr Helen Osborn, Cllr Linda Packard, Cllr Sheila Parker (Vice Chairman), Cllr David Pollitt
and Cllr James Sheppard

Also Present:

Cllr Jane Scott OBE and Cllr Dick Tonge

36 Apologies and Membership Changes

There were no apologies or membership changes.

37 Chairman's Announcements

The Chairman reported that, as part of Audit Committee members on-going training the South West Audit Partnership were holding a training session on Friday 28 June 2013 from 9:00am – 12:00noon at Haynes Motor Museum, Sparkford. He explained that it was vital for members and substitutes to attend this event as it would give them the essential background knowledge necessary for them to fulfil their role on the Committee.

38 Minutes of the Previous Meeting

The minutes of the meeting held on 20 March 2013 were presented and it was

Resolved:

To approve the minutes as a true and correct record.

39 Members' Interests

There were no declarations of interest however, Councillor Linda Packard did report that in relation to minute number 44 below - Internal Audit Annual Report - under the section 'Summary of Key Points Relating to 'Partial Assurance'

Reviews' in particular Litigation Management that she was a solicitor and aware of the Solicitors Code of Conduct mentioned in the report.

40 **Public Participation and Committee Members' Questions**

There was no public participation.

41 **Role of External Auditors**

The Committee received a presentation from Darren Gilbert, KPMG about the role of the external auditor.

The committee were informed of the framework in which KPMG operated and that as external auditors they were appointed independently by the Audit Commission, however this would change in the future with the Local Audit and Accountability Bill, which proposed that external auditors would be appointed for a five year period by Auditor Panels which are made up of an independent Chairman and members. The scope of the external auditors work was not confined to undertaking audits but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources.

KPMG also spoke about the following areas during the presentation:

- Relationship between KPMG and the Audit Commission
- The key output from KPMG – Audit report including financial statements and Value for Money
- The integrated approach between the audit of accounts and the value for money conclusion
- The auditors statutory powers and duties
- The auditors work on certification of grants
- The audit cycle
- The balance of internal controls and substantive testing
- Practical examples of controls testing, including the approach to value for money work
- Future changes to the external audit regime

The Committee had the opportunity to raise points of interest, in particular comments were made and questions asked about the ability of KPMG to report aspects of their work to the public and other external key stakeholders, value for money and critical accounting matters and the key principles of the appointing process under the Local Audit and Accountability Bill.

The Chairman thanked KPMG for a very informative presentation.

Resolved:

That the presentation on the work of the external auditor be noted.

42 **Interim Report for 2012/13**

The Committee considered the report of Michael Hudson, Service Director, Finance and KPMG on the Interim Audit for the 2012/13 financial year.

The Service Director, Finance explained that KPMG's report concluded that the Council's control environment was effective overall and noted a significant improvement in the control environment, in particular reliance on internal audit and actions on the IT control environment. The KPMG report made a range of recommendations, and management actions had been identified to address them.

Darren Gilbert, Director, KPMG, introduced his report explaining that it was a very positive report. He commented on the organisational and IT control environment, Controls over key financial systems, review of internal audit, accounts production and specific risk areas and Value for Money risks.

In particular KPMG commented on the IT control environment and confirmed that improvements had been made from the previous year. However KPMG were unable to fully rely on the Authority's general IT control environment.

Jacqui White, Service Director, Business Services explained the background to ongoing discussions with KPMG about the IT control environment and that the issue surrounded the level of certification for security controls provided by the Councils provider – Logica. KPMG were asking for a higher level of certification not asked of other Councils who also used Logica as provider and at considerable cost to Wiltshire Council, which could be on-going year on year. Members were assured that controls were in place to manage the issue. It was stressed that KPMG did not regard the identified issues as meaning there had been fundamental failings in operational concerns.

In commenting on the areas detailed above the following points and comments were raised by the Committee:

- Concern was expressed about the assessment of two aspects of the IT control environment, (i) Access to systems and data and (ii) system changes and maintenance. Concerns were also highlighted about the comments from KPMG that it remained critical that the weaknesses were fully addressed to enable the IT control environment to strengthen overall and to be able to continue to progress to the next level. KPMG confirmed that management had now looked at this area and reassured the Committee that action had now been taken by the council on this issue.
- Members sought reassurance that risks were looked at and identified and informed judgements were made. The Service Director, Finance confirmed that within any system there was an inherent risk that

something could go wrong. Officers look at putting controls in place to mitigate these risks. Having the level of certification referred to above would mitigate the risk. Due to the considerable expense of raising the level of certification other controls had been put in place. Members noted that there was a ceiling with residual risk where putting in place additional controls wouldn't add any further value and that was the point that the Council had reached with the level of certification. Further discussions would take place to resolve the issue.

The Chairman suggested that officers report further to the Committee on the current position in relation to the level of certification, with costs defined for the various levels.

Resolved:

1. That the report be noted and KPMG be thanked for the update.
2. That officers be asked to report further on the current position in relation to the level of certification, with costs defined for the various levels.

43 **Audit Fee Letter for 2013/14**

The committee received a letter from the Council's external auditors, KPMG, which set out the proposed indicative annual audit fee for 2013/14.

The letter highlighted that the proposed audit fees detailed below were unchanged from the planned fees for 2012/13 and were in line with the scale fee recommended by the Audit Commission. Michael Hudson, Service Director, Finance spoke further on the proposed fees and explained that the fee structure was in line with budget discussions, within budget and commended it to the committee.

The proposed fees for 2013/14:

Code of Audit Practice Audit Fee	£222,156
Certification of grant claims & return	£28,000
Audit of Pension Fund	£24,246

Resolved:

That the proposed annual audit fee for 2013/14 is noted.

44 **Internal Audit Annual Report**

The Committee considered the report of Michael Hudson, Service Director, Finance and the South West Audit Partnership – SWAP on the Internal Audit Annual Report and Opinion 2012/13

The Service Director, Finance explained that the report highlighted a considerable amount of work undertaken by SWAP during 2012/13, and

reminded the Committee that they had received quarterly reports throughout the year which summarised the outcomes of audits carried out during that period, the results and outcomes from follow-up reviews and updates on the delivery of the internal audit plan. The Committee were informed that they could take assurance from the Council's overall arrangements, as outlined in section 3 of the report, that an effective internal audit function was in place.

The Committee also heard from Dave Hill, Group Audit Manager, Denise Drew, Audit Manager, and Suella Coman, Audit Manager all representing SWAP.

Dave Hill, Group Audit Manager, SWAP reported that over the year Senior Management of Wiltshire Council were found to be supportive of SWAP findings and responsive to the recommendations made. SWAP were able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks were well managed but some required the introduction or improvement of internal controls to ensure the achievement of objectives. SWAP did not consider there to be any areas of significant corporate concern.

The report provided further information about the 110 audits undertaken during the year, a summary of control assurance and recommendations, SWAP performance against targets, a summary of the key points raised relating to partial assurance reviews and audit framework definitions. In relation to partial assurance reviews it was noted that all management actions were agreed and either implemented or in the process of being implemented.

Members in considering the report in detailed raised the following points:

- Concern that in some cases the time between a draft report and final report being produced was up to two months. SWAP explained that this delay was connected to the complexity of the service being audited as the audit could stretch across 3 services. In some instances receiving responses and reaching agreement across the services took slightly longer than expected. However, some background work was already being undertaken by management to implement the recommendations. It was suggested that the Audit Working Group previously set up by the Committee to shadow and evaluate a complete audit of a Council service could include an investigation into the length of time between draft and final reports in their programme of work and report their findings back to the Committee.
- The term 'Reasonable Assurance' was defined for the Committee as it was felt that the term was slightly misunderstood by the lay person.
- Assurances were given that the management actions for the review of Litigation Management, which had received a partial assurance, had been agreed and complied with.

Resolved:

That the opinion of the Chief Internal Auditor be noted

45 **Annual Governance Statement 2012/2013 Draft**

Ian Gibbons, Service Director of Law and Governance and Monitoring Officer, presented the draft Annual Government Statement for 2012-2013, a required part of the annual review of the effectiveness of the Council's governance arrangements, which would proceed to Cabinet, then Standards Committee, before returning to the Audit Committee for final approval.

The Monitoring Officer took the Committee through the report, highlighting key issues including the following:

- Safeguarding Children and Young People
- Managing significant reductions in Government funding and changes in legislative
- Information Security

The Monitoring Officer particularly highlighted the action plan agreed by the Corporate Leadership Team to strengthen and improve the Council's information governance arrangements. Progress against the plan was being monitored and the Committee would be updated as to whether this should remain as a significant governance issue.

The Leader of the Council and Carolyn Godfrey – Corporate Director, reminded the Committee of the work that had and was currently being undertaken in relation to safeguarding children and young people. The Leader and Corporate Director were pleased to report that Wiltshire were making steady progress to address the issues raised by Ofsted and noted in the Improvement Plan. The strengthened focus on safeguarding by the Lead Member for Children's Services, Portfolio Holder for Safeguarding, the Safeguarding Scrutiny Task Group and the Director of Children's Services had been commended. There was also consensus that good frameworks had been established for example a set of practice standards, a new auditing programme, revised supervision policy and introduction of a model for managing risk.

It was noted that paragraph 15 of the Draft Annual Governance Statement that referred to the Police and Crime Panel should indicate that the Panel was a joint Panel with Swindon Borough Council and should read 'the Wiltshire Police and Crime Panel'.

Resolved:

That the draft Annual Governance Statement would be revised in light of the comments of the Audit Committee, Cabinet, Standards Committee and ongoing review work by the Governance Assurance Group, before final approval by the Audit Committee and publication with the Statement of Accounts in September 2013.

46 **Appointment of Representatives to Working Groups**

The Committee was asked to make appointments to the following bodies for the rest of the municipal year:

- Focus Group on the Review of the Constitution
- Governance Assurance Group

The Committee were also reminded that they had previously agreed, prior to the Local Authority elections in May 2013, to set up a Working Group of three members to shadow the work of SWAP when undertaking an Audit of a Council Service. The Working Group would then highlight those areas that they felt would be of benefit to other members and should be incorporated within a training programme for the Committee.

Resolved:

1. That Councillor Helen Osborn be nominated to represent the Audit Committee on the Focus Group on the Review of the Constitution, subject to no other member of the Committee wishing to attend the meetings.
2. That Councillor Sheila Parker continues to represent the Audit Committee on the Governance Assurance Group.
3. That the Audit Working Group be re-established with three members of the Audit Committee to shadow the work of SWAP on one or two Audits of a Council Service.
4. That the Audit Working Group report on those issues raised during the shadowing exercise to be included in a training programme for the Committee.

47 **Date of next meeting**

That the next meeting will take place on 4 September, 2013 starting at 10:30am in the Council Chamber at Monkton Park, Chippenham.

The Chairman asked members for areas of concern in relation to the safeguarding of adults and responses received included nursing homes for the elderly and living at home.

48 **Urgent Items**

(Duration of meeting: 3.00 - 5.00 pm)

The Officer who has produced these minutes is Stuart Figini, of Democratic Services,
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WILTSHIRE COUNCIL

AUDIT COMMITTEE

4 SEPTEMBER 2013

Subject: KPMG: REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2012/2013

Cabinet member: Dick Tonge – Finance, Performance and Risk

Key Decision: No

Purpose of Report

1. To present KPMG's "Report to those charged with governance" to the Audit Committee and to invite Members to consider their response. KPMG will attend the meeting of the Audit Committee to present the report and to respond to any queries.

Background

2. This report has been prepared by the Council's external auditor (KPMG) and it summarises the conclusions and key issues arising from the recent audit of the Council's financial statements and their assessment of the Council's arrangements to secure value for money (vfm) in its use of resources.

Main Considerations for the Council

3. The headlines are incorporated into section two of the KPMG report. These are summarised as follows:
 - KPMG anticipates issuing an unqualified audit opinion on 4 September 2013.
 - KPMG identified one audit adjustment to the draft financial statements, which relates to a technical accounting adjustment. This was due to one balance being reported as a debtor instead of as a creditor. Processes are being reviewed to tighten procedures for 2013/2014. This adjustment does not affect either the cost of providing services or the net worth of the Council. This has been adjusted by the Council.

- KPMG concluded that the council continued to evidence a strong financial reporting process and produced draft financial statements of high quality.
- KPMG have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. KPMG anticipates issuing an unqualified VFM audit opinion by 4 September 2013.

Risk Assessment

4. There are no direct risk implications associated with this report.

Equality and Diversity Impact of the Proposal

5. None have been identified as arising directly from this report.

Environmental Impact of the Proposal

6. There are no direct environmental implications associated with this report.

Financial Implications

7. KPMG's Report to those charged with Governance is relevant to the Council's financial arrangements.

Legal Implications

8. KPMG's Report to those charged with Governance is relevant to the Council's legal arrangements.

Recommendations

9. That the Audit Committee receive the draft accounts for 2012/2013.
10. The Audit Committee delegates the signing of the letter of the management representation letter to the Chairman of the Audit Committee.

Reason for Recommendations

11. To present KPMG's Report to those charged to governance to the Audit Committee and to invite Members to consider their response.

MICHAEL HUDSON

Service Director, Finance

Report Author: Matthew Tiller – Chief Accountant

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

None.

Appendices:

Appendix A - KPMG REPORT TO THOSE CHARGED WITH GOVERNANCE
(ISA 260) 2012/2013

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cutting through complexity™

Report to those charged with governance (ISA 260) 2012/13

Wiltshire Council

August 2013

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The contacts at KPMG in connection with this report are:

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This report is addressed to the Council and has been prepared for the sole use of the Council. 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 which is available on the Audit Commission's website at www.auditcommission.gov.uk.

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, the appointed engagement lead to the Council, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to 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 Unit Manager, Audit Commission, 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.

This report summarises:

- the key issues identified during our audit of Wiltshire Council's (the Council's) financial statements for the year ended 31 March 2013; and
- our assessment of the Council's arrangements to secure value for money (VFM) in its use of resources.

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our *Interim Audit Report 2012/13* presented to you on 18 June 2013, which summarised our planning and interim audit work.

Financial statements

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 2012/13* issued in June.

This report focuses on the final two stages: substantive procedures and completion. It also includes any additional findings in respect of our control evaluation that we have identified since we issued our *Interim Audit Report 2012/13*.

Our final accounts visit on site took place between 1 July and 19 July. During this period, we carried out the following work:

Substantive Procedures	<ul style="list-style-type: none"> ■ Planning and performing substantive audit procedures. ■ Concluding on critical accounting matters. ■ Identifying audit adjustments. ■ Reviewing the Annual Governance Statement.
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We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion	<ul style="list-style-type: none"> ■ Declaring our independence and objectivity. ■ Obtaining management representations. ■ Reporting matters of governance interest. ■ Forming our audit opinion.
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VFM conclusion

We have also now completed our work in respect of the 2012/13 VFM conclusion. This included:

- an initial VFM risk assessment; and
- our work to address the specific risk areas identified.

Structure of this report

This report is structured as follows:

- **Section 2** summarises the headline messages.
- **Section 3** sets out the key findings from our audit work in relation to the 2012/13 financial statements.
- **Section 4** outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in **Appendix 1**.

The recommendations which arose from this year's interim audit phase will be followed up at the interim report stage in 2014.

Acknowledgements

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

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	<p>We anticipate issuing an unqualified audit opinion on 4 September 2013. This means that we consider that the accounts give a true and fair view of the financial performance and position of the Council and have been prepared in accordance with accounting requirements.</p> <p>We will also report that the wording of your Annual Governance Statement accords with our understanding.</p>
Audit adjustments	<p>Our audit identified one audit adjustment with a total value of £2.0 million. This amendment relates to the year-end Teacher's Pension superannuation balance being included within debtors despite being in a credit position. The correction of this adjustment had no impact upon either:</p> <ul style="list-style-type: none"> ■ the deficit on provision of services for the year; or ■ the net worth of the Council as at 31 March 2013. <p>We have included full details of the audit adjustment at Appendix 2. This was adjusted by the Council.</p> <p>There are no unadjusted audit differences.</p>
Critical accounting matters	<p>We have worked with Officers throughout the year to discuss specific risk areas. The Council addressed these issues appropriately.</p>
Accounts production and audit process	<p>The Council has, as in prior years, evidenced a strong financial reporting process and produced draft financial statements of high quality. Officers dealt with audit queries in a highly efficient manner which assisted in ensuring that the audit process was completed within the planned timescales.</p> <p>The Council has implemented all of the recommendations in our <i>ISA 260 Report 2011/12</i> relating to the financial statements.</p>
Completion	<p>At the date of this report our audit of the financial statements is complete with the exception of our work in relation to the Council's Whole of Government Accounts submission.</p> <p>Before we can issue our opinion we require a signed management representation letter.</p> <p>We confirm that we have complied with the requirements on objectivity and independence in relation to this year's audit of the Council's financial statements.</p>
VFM conclusion	<p>We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion on 4 September 2013.</p>

Our audit identified one audit adjustment. This relates to a credit balance included within debtors and does not affect the “cash” surplus position of the Council.

The impact of this adjustment is to:

- increase short term debtors by £2 million; and
- increase short term creditors by £2 million.

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

Proposed audit opinion

We anticipate issuing an unqualified audit opinion on 4 September 2013.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you, of which there are none as the Council has processed all differences identified.

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.

Our audit identified a total of one significant audit difference, which we have set out in **Appendix 2**. This has now been adjusted in the final version of the financial statements.

The tables on the right illustrate the total impact of the audit difference on the Council’s movements on the General Fund for the year and balance sheet as at 31 March 2013.

There is no net impact on the General Fund or the deficit on provision of services for the year as a result of the single audit adjustment identified.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting the United Kingdom 2011/12* (*‘the Code’*). The Council has addressed these appropriately.

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.

Movements on the General Fund 2012/13			
£m	Pre-audit	Post-audit	Ref (App.2)
(Deficit) on the provision of services	(39,884)	(39,884)	
Adjustments between accounting basis & funding basis under Regulations	38,993	38,993	
Transfers from earmarked Reserves	(612)	(612)	
(Decrease) in General Fund	(1,503)	(1,503)	

Balance Sheet as at 31 March 2013			
£m	Pre-Audit	Post-audit	Ref (App.2)
Property, plant and equipment	920,179	920,179	
Other long term assets	38,606	38,606	
Current assets	152,234	154,235	1
Current liabilities	(120,137)	(122,138)	1
Long term liabilities	(901,736)	(901,736)	
Net worth	89,146	89,146	
General Fund	(12,642)	(12,642)	
Other reserves	(76,504)	(76,504)	
Total reserves	(89,146)	(89,146)	

We have worked with Officers throughout the year to discuss specific risk areas. The Council addressed the issues appropriately.

In our *Financial Statements Audit Plan 2012/13*, presented to you in March, we identified the key risks affecting the Council's 2012/13 financial statements.

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

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

Key audit risk	Issue	Findings
	<ul style="list-style-type: none"> The Council was forecasting in January 2013 that it deliver an overspend against its 2012/13 budget by approximately £1.2 million. However, the Council had plans in place to reduce the over spend by the end of the financial year in order to meet budget. The budget included a savings programme totalling £33 million and a drawdown of £1.7 million from the General Fund Reserve. The Council estimated that another £28 million in savings would need to be achieved during 2013/14, and a further £23 million in 2014/15, to address the ongoing reductions to local authority funding. Against a backdrop of continued demand pressures in Adult Social Care and Children's Services it will become more and more difficult to deliver these savings in a way that secures longer term financial and operational sustainability. 	<ul style="list-style-type: none"> The final outturn for 2012/13 reported an under spend against budget of £0.087 million, with a £1.6 million draw down against General Fund Reserves. As part of our work relating to our value for money conclusion we have reviewed the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. This has confirmed that detailed savings plans have been developed for 2013/14 and 2014/15 and that performance is monitored adequately. See page 9 for further commentary on the VFM conclusion work.
	<ul style="list-style-type: none"> During 2012/13 the Council moved its rent system from Simdell to QL. The migration to the new Rents System required the management of a complex system implementation and the transfer of a significant amount of data into the new system. Interfaces with the Council's SAP system also needed to be established and designed to operate effectively. If this process was not undertaken and managed appropriately, the Council would be exposed to an increased risk that rental incomes and charges were incorrectly calculated and reported. 	<ul style="list-style-type: none"> We reviewed the change management process which operated in relation to the system implementation and the adequacy of verification checks undertaken in relation to transferred data. Our work has concluded that the data migration project has been managed and performed in a satisfactory manner. The full findings of this work are to be reported separately. We confirmed that effective interface reconciliations had been developed for year end purposes, and would be used on a periodic basis going forward.

The Council has continued to evidence a strong financial reporting process.

Officers dealt with audit queries in a highly efficient manner, enabling the audit process to be completed within the planned timescales.

The Council has implemented all of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.

The controls over the financial reporting system and housing rents are generally sound.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Council’s accounting practices and financial reporting. We also assessed the Council’s process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Council has, as in prior years, evidenced a strong financial reporting process. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a set of draft accounts on 24 June 2013. The quality of the draft of the accounts was noted to be very high, with only a small number of presentation adjustments being required.
Quality of supporting working papers	Our <i>Accounts Audit Protocol 2012/13</i> , which we issued on 20 March 2013 and discussed with Finance, set out our working paper requirements for the audit. The quality of working papers provided was very good and met the each of the requirements specified in our <i>Accounts Audit Protocol</i> .
Response to audit queries	Officers resolved audit queries very quickly, with no unreasonable delays being experienced. We encountered no issues in relation to officer availability, with responses being provided through email and the KClient system when officers were away from the Trowbridge site.

Prior year recommendations

In our *Interim Audit Report 2012/13* we commented on the Council’s progress in addressing the recommendations in our *Interim Audit Report 2011/12*. As a result, these recommendations are not to be revisited as part of this report.

The Council has now implemented all of the recommendations in our *ISA 260 Report 2011/12* relating to the financial statements.

Controls over key financial systems

As part of our final audit visit, we have reviewed and assessed the controls around the financial reporting process and the housing rents system.

The controls over the majority of the key financial system are sound and the Council has continued to evidence a strong financial reporting process.

System	Assessment
Financial reporting	3
Housing rents	3

- Key:
- 1 Significant gaps in the control environment.
 - 2 Deficiencies in respect of individual controls.
 - 3 Generally sound control environment.

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

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

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

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 2013, we confirm that there were no relationships between KPMG LLP and Wiltshire Council, its directors 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 3** in accordance with ISA 260.

Management representations

You are required 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. We have provided a template to the Director of Finance, a draft of which is reproduced in **Appendix 4**. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the

financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, etc.).

At the time of writing this report we have no matters to bring to your attention.

Our VFM conclusion considers how the Council secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

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

Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Council has proper arrangements in place for:

- securing financial resilience: looking at the Council's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Council is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Council to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

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

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

The following page includes further details on our specific risk-based work.



We have now concluded our specific work in relation to the residual risks we identified following our initial risk assessment.

Our general audit work provides us with good assurance over the Council's general arrangements for securing economy, efficiency and effectiveness.


We identified the residual audit risks for our VFM conclusion, and set out our preliminary assessment of these with reference to the relevant

work by the Council, the Audit Commission, other inspectorates and review agencies.

We concluded that we needed to carry out additional work for some of these risks and this work is now complete. The outcome of this work is set out below.

Key VFM risk	Preliminary assessment	Key findings of our additional work
	<p>We needed to consider in more detail the process used by the Council to put together the savings plan and monitor progress against it.</p> <p>In addition, we needed to assess the extent to which the Council makes use of benchmarking and unit cost analysis in developing such savings plans.</p>	<p>As noted on page 5, officers have identified detailed savings plans for 2012/13. These savings plans are spread throughout the various services provided by the Council rather than being wholly focused upon high cost areas.</p> <p>The Council has flexed savings targets in accordance with its strategic priorities rather than set a council wide percentage target. The aim of this is to ensure that priority areas are protected from cuts which may have undesirable impacts upon service quality.</p> <p>The Council continues to undertake benchmarking in order to inform the development of savings plans, whilst recognising that in many instances additional considerations must be accounted for in order to make appropriate decisions.</p>

We have now concluded our specific work in relation to the residual risks we identified following our initial risk assessment.

Key VFM risk	Preliminary assessment	Key findings of our additional work
	<p>During 2012/13 the Council completed the construction of its new office building, representing phase 1 of the renovation of County Hall. As the result of the valuation report produced by GVA Grimley, an downward revaluation of £14.7 million was required.</p> <p>We needed to consider whether the potential for such a reduction had been considered by the Council and whether the project could be deemed to provide value for money.</p>	<p>We confirmed that members were kept informed of the progress of the project and the resulting valuation. This was undertaken by way of project appraisals undertaken both during the project and upon completion.</p> <p>We have confirmed with management that the Council is not intending to achieve value for money through the sale of the asset. Instead the value of the project is represented by the impacts that will be experienced upon both the Council's working practices and the public's use of Council services. Such benefits are expected to include:</p> <ul style="list-style-type: none"> ■ Increased use of Council facilities such as the library; ■ Creation of a central hub for provision of Council services; and ■ Changing the way Council officers work through increased open plan working. <p>Management have also identified further savings on the renovation of County Hall which have been achieved as a result of ongoing maintenance costs being avoided and it is part of the Council's rationalisation of the estate programme.</p>

We have given each recommendation a risk rating and agreed what action management will need to take.

The Council should closely monitor progress in addressing specific risks and implementing our recommendation.

We will formally follow up this recommendation next year.

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Priority rating for recommendations		
<p>1 <i>Priority one:</i> 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>2 <i>Priority two:</i> 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>3 <i>Priority three:</i> 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.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	3	<p>Completeness of Academy Asset Disposals</p> <p>When a school achieves academy status, the Council should remove the assets from their books.</p> <p>We undertook testing designed to ensure that all assets relating to academy schools had been appropriately removed from the Council's records. This confirms that primary assets, such as land and buildings are no longer recorded.</p> <p>From our testing, we identified a number of smaller assets, such as temporary classrooms, which had transferred to academies but were still recognised on the Council's fixed asset register. We identified that such oversights had occurred during both 2011/12 and 2012/13 although the values were not material in either year.</p> <p>Recommendation</p> <p>The Council should ensure that a thorough review of the asset register is undertaken in order to ensure that all academy assets are identified and accounted for appropriately.</p>	<p>Community schools are disclosed on Wiltshire Council's balance sheet as many different smaller assets.</p> <p>Whilst the substantive part of the assets were accounted for when the school changed to Academy status, in some cases some minor assets were not derecognised. These comprise smaller assets related to the schools such as some mobile classrooms, playing field land etc. The associated value is also minor, comprising less than £152,000 when combined together.</p> <p>A full review of all the minor assets held on the Asset register relating to Academy schools will be performed during 2013/2014 to ensure all the minor assets that are held that do not belong to Wiltshire Council are removed from the balance sheet.</p> <p>Lead Officer: Steve MacDonald</p> <p>Due Date: January 2014.</p>

This appendix sets out the significant audit differences, all of which have been adjusted.

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 Council’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 difference identified by our audit of Wiltshire Council’s financial statements for the year ended 31 March 2013, which has been adjusted.

No.	Income and Expenditure Statement	Impact			Basis of audit difference
		Assets	Liabilities	Reserves	
1		Dr Short Term Debtors £2,001k	Cr Short Term Creditors (£2,001k)		As at 31 March 2013, the Council owed £2.0 million in relation to Teacher’s Pension superannuation payments. This had been included within short term debtors as a result of the prior period position being in debit and the mapping of the account remaining unchanged.

Unadjusted audit differences

We are pleased to report that there are no unadjusted audit differences.

Presentational issues

We identified a small number of presentational issues during our audit and these have been amended by management.

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

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. We do this in our Annual Audit Letter.

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.

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.

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

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 2013, we confirm that there were no relationships between KPMG LLP and Wiltshire Council, its directors 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 ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

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

KPMG LLP
100 Temple Street
Bristol
BS1 6AG

4 September 2013

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of Wiltshire Council ("the Authority") for the year ended 31 March 2013, for the purpose of expressing an opinion:

- (i) as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- (ii) whether the Pension Fund financial statements of the give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- (iii) whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
 - give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
 - have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

The financial statements have been prepared on a going concern basis.
2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

7. The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Authority [and the Group] and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
10. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Authority understands them and as defined in IAS 24, except where interpretations or adaptations to fit the public sector are detailed in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

The Authority further confirms that:

(a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- are funded or unfunded; and
- are approved or unapproved,

have been identified and properly accounted for; and

(b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 4 September 2013.

Yours faithfully

Chair of the Audit Committee

Director of Finance

Appendix A to the Board Representation Letter of [name of Authority]: Definitions

Financial Statements

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information, and
- Balance Sheet as at the beginning of the earliest comparative period (ie a third Balance Sheet) when an authority applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

A housing authority must present:

- an HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund

For pension funds participating in the following pension schemes, pension fund accounts must be prepared by the local authority that administers the Pension Fund:

a) the Local Government Pension Scheme (in England and Wales)

b) the Local Government Pension Scheme (in Scotland).

For pension funds participating in the following pension schemes, pension fund accounts must be prepared:

a) the Firefighters' Pension Scheme for England

b) the Firefighters' Pension Scheme for Wales

c) the Police Pension Scheme in England and Wales.

The financial statements of a defined benefit pension fund and of police authorities and fire and rescue service authorities in England and Wales must contain:

- a) A fund account disclosing changes in net assets available for benefits.
- b) A net assets statement showing the assets available for benefits at the year end.
- c) Notes to the accounts.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users. [ISA (UK&I) 570.A2]

Misappropriation of assets involves the theft of an entity's assets. It is 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. [ISA (UK&I) 570.A5]

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure. [IFAC Glossary of Terms]

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- was available when financial statements for those periods were authorised for issue, and
- could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance". [ISA (UK&I) 580.8]

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other

party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- a) entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (ie subsidiaries);
- b) associates;
- c) joint ventures in which the authority is a venture;
- d) an entity that has an interest in the authority that gives it significant influence over the authority;
- e) key management personnel, and close members of the family of key management personnel; and
- f) post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

Key management personnel are all chief officers (or equivalent), elected members, chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

The following are deemed not to be related parties by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13:

- providers of finance in the course of their business in that regard and trade unions in the course of their normal dealings with an authority by virtue only of those dealings; and
- an entity with which the relationship is solely that of an agency.



Related party transaction

Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.



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**WILTSHIRE COUNCIL
AUDIT COMMITTEE**

4 SEPTEMBER 2013

WILTSHIRE COUNCIL: STATEMENT OF ACCOUNTS 2012/2013

Purpose of Report

1. To present the Draft Statement of Accounts in respect of the 2012/2013 financial year for Wiltshire Council.

Policy Considerations

2. The Council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2012, and the 2012/2013 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Background and Introduction

3. The Audit Commission Act 1998, the Code of Audit Practice (issued by the Audit Commission) and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom set out the requirements for the production and publication of the annual Statement of Accounts.
4. The regulations for the adoption of the Statement of Accounts do not require for Members to adopt the draft Statement of Accounts. The draft Statement of Accounts are required to be certified by the Chief Finance Officer within three months of the financial year end (by 30 June 2013). The Statement of Accounts are then subject to external audit by the Council's appointed auditors (KPMG) before the final set is brought to Members for final approval by 30 September 2013.
5. This adoption process ensures that there is external independent scrutiny of the figures in the Statement of Accounts before they are brought to Members. KPMG are required to report on amendments from the draft Statement of Accounts submitted for audit to the final version presented to Members. This report is elsewhere on the agenda.
6. The Statement of Accounts is attached as Appendix A.

Key Issues Arising

7. The final outturn on the general fund reported to Cabinet on 18 June 2013 was an underspend of £0.087 million. This resulted in a total draw from reserves for the General Fund of £1.505 million, after an approved draw from reserves of £1.643 million and £0.051 million extra Government grant. Further details of this were reported to Cabinet on 18 June 2013 in the Revenue Outturn Report.
8. The Comprehensive Income & Expenditure Statement summarises the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise taxation to cover expenditure in accordance with regulations. This is different from the accounting cost. The Movement in Reserves Statement reflects the true cost to council tax payers of services provided.
9. The deficit on the provision of services in the Comprehensive Income and Expenditure Statement is adjusted by various technical adjustments between the accounting basis and funding basis under regulations, as well as taking into account transfers to/from earmarked reserves. In this way, the expenditure in the outturn report reconciles to the deficit on provision of services. More details are given in notes 9 and 10 of the Statement of Accounts.

Risk Assessment

10. There are no direct risk implications associated with this report.

Equality and Diversity Impact of the Proposal

11. None have been identified as arising directly from this report.

Environmental Impact of the Proposal

12. There are no direct environmental implications associated with this report.

Financial Implications

13. There are no direct financial implications associated with this report.

Legal Implications

14. There are no direct legal implications associated with this report.

Recommendations

15. That the Audit Committee receive the draft Statement of Accounts for 2012/2013.
16. The Audit Committee delegates the signing of the letter of the statement of Responsibilities for the Statement of Accounts to the Chairman of the Audit Committee.

Reason for Recommendations

17. The Audit Committee are aware of the Statement of Accounts for 2012/2013.

MICHAEL HUDSON
Services Director, Finance

REPORT AUTHOR
MATTHEW TILLER – CHIEF ACCOUNTANT

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

Appendices:

Appendix A Draft Statement of Accounts 2012/2013

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Explanatory Foreword

1 Statutory Duty

The Council has a statutory duty to approve and publish a statement of accounts. The accounts cover a 12 month reporting position. These Accounts relate to the period 1 April 2012 to 31 March 2013.

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

2 Compliance with regulation

This document has been compiled by officers of the Council using information recorded on its systems, most notably its financial ledger, in line with recommended practice from the Chartered Institute of Public Finance and Accountancy (CIPFA). The format is largely prescribed. A glossary of the various terminology is set out in pages 85 to 88.

3 Contents

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

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

The Balance Sheet is a snap shot in time showing the Council's assets, liabilities, balances and reserves at 31 March 2013.

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

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

Notes to the Core Financial Statements follow these statements.

Additionally, the following supplementary financial statements are produced.

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

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

Auditor's opinion

To be updated after completion of the audit.

Accounting Policies

The Statement of Accounting Policies explains the basis for how we have recognised, measured and disclosed the financial transactions that relate to 2012/2013. Details of the accounting policies used are found in note 1 to the accounts.

Vision of the Council - How much does it cost to run (general fund)

In February 2011 Wiltshire Council approved four year Business and Financial Plans. The Council is obliged by legislation to set a balanced budget with a resultant Council Tax and related fees and charges.

Members and officers review the plans and update the Financial Plan annually in order to set the budget and Council Tax.

The Council continues to face a continued increase in demand for services to the most vulnerable, as well as inflationary pressures and changes in Government policy and funding. The Council has worked hard to deliver performance savings and investment proposals in its plans.

Future Vision of the Council

Wiltshire Council is currently updating its Business Plan and this will be adopted by Cabinet in September 2013. The business plan sets out how the Council intends to meet future challenges whilst delivering the Council's vision to create stronger, more resilient communities.

The vision for Wiltshire has not changed. The Council wants Wiltshire to have strong and resilient communities. This is supported by the council's corporate goals of:

- providing high quality, low cost, customer focused services;
- local open, and honest decision making;
- working with our partners to support Wiltshire's communities.

Strong and resilient communities can be described by our six key outcomes:

- 1) People in Wiltshire have strong relationships, solve problems locally and participate in decisions that affect them;
- 2) Everyone in Wiltshire lives sustainably in a high quality environment;
- 3) Wiltshire has a thriving and growing local economy;
- 4) Wiltshire has inclusive communities where everyone can achieve their potential;
- 5) People have healthy, active and high quality lives;
- 6) People feel safe and are protected from avoidable harm.

The six outcomes are supported by three cross-cutting priorities:

- protecting vulnerable people;
- promoting health and wellbeing;
- public services working together.

Revenue outturn

In respect of net revenue outturn, the Council's 2012/2013 General Fund revised budget and actual spending figures were as below:

	Original Budget £m	Revised Budget £m	Actual £m	Difference £m
Total General Fund (a)	326.655	326.655	326.568	(0.087)
Funded by:				
Draw from general fund reserves			1.643	1.643
Formula Grant including Council Tax Freeze	(103.690)	(103.690)	(103.743)	(0.053)
Collection Fund Transfer	(221.270)	(221.270)	(221.268)	0.002
Collection Fund (Surplus)/Deficit	(1.695)	(1.695)	(1.695)	0.000
Total Funding (b)	(326.655)	(326.655)	(325.063)	1.592
Movement on General Fund (a)-(b)	0.000	0.000	1.505	1.505

The overall underspend against the revised 2012/2013 budget was £0.087 million. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income & Expenditure Statement and in note 10. The overall movement on the General Fund is a £1.505 million draw from reserves. This is equivalent to the £1.503 million in the Movement of Reserves Statement, but reflects different roundings.

Major variances

The major variations of actual spend to budget were:

An overspend of £2.746 million on Children's Services (which includes Children's Social Care, Integrated Youth, Early Years, School Improvement, Business & Commercial Services, Targeted Services & Learner Support, Safeguarding, Commissioning & Performance and Funding Schools). This comprises overspends in children's social care and safeguarding offset by underspends within the other areas of children's services.

Details of all variances, including more detailed explanations of the variances disclosed above, are included in the cabinet report that was taken to Cabinet on Tuesday 18 June 2013. A full copy of the report is available on the Wiltshire Council webpage under "Council and Democracy".

Pension Fund

The Council's employees are able to join the Local Government Pension Scheme. This is also administered by the Council. There are a range of factors that can affect the financial position of the Fund, most notably the level of income expected to be earned from investing funds.

The Scheme's actuary revalues the Fund every three years and we set out new contribution rates to ensure that we extinguish the liability to meet with the Council's commitment to maintaining a balanced fund over the long term.

The pension reserve is equivalent to the Council's share of the local government pension scheme. It is negative, meaning at the moment the fund is in deficit. It is not unusual for the pension reserve to have a shortfall. The future employee and employer contributions into the fund will, along with a hoped for better return on investment, ultimately meet this shortfall.

Further information on the Council's Pension Fund is set out in Note 61.

Where does the money come from?

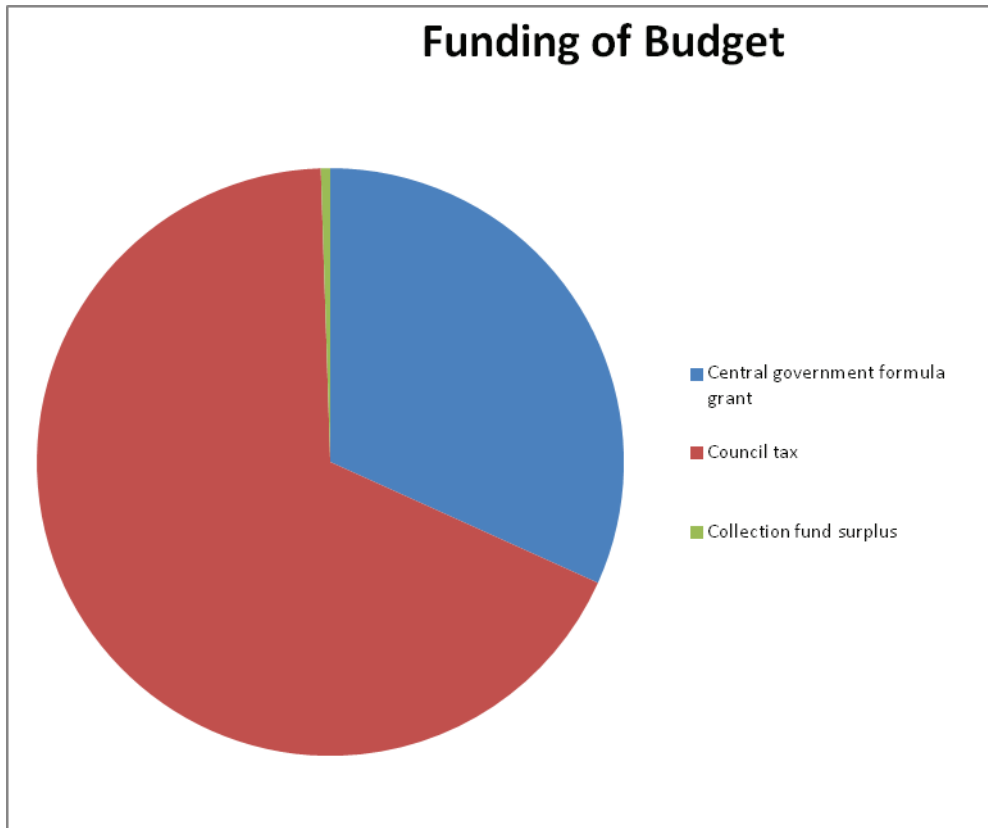
The budget requirement is the money we need to pay for services once we have taken into account money coming in from fees and charges and specific and general government grants.

In 2012/2013 the Council approved a need for a gross and net budget as follows:

	£m
Expenditure:	
Gross budgeted expenditure	906.191
Income:	
Ringfenced specific government grants (schools)	(282.501)
Ringfenced specific government grants (benefits)	(138.548)
Fees and charges	(51.696)
Unringfenced general government grants	(86.897)
Other income	(19.894)
Budget Requirement	<u>326.655</u>

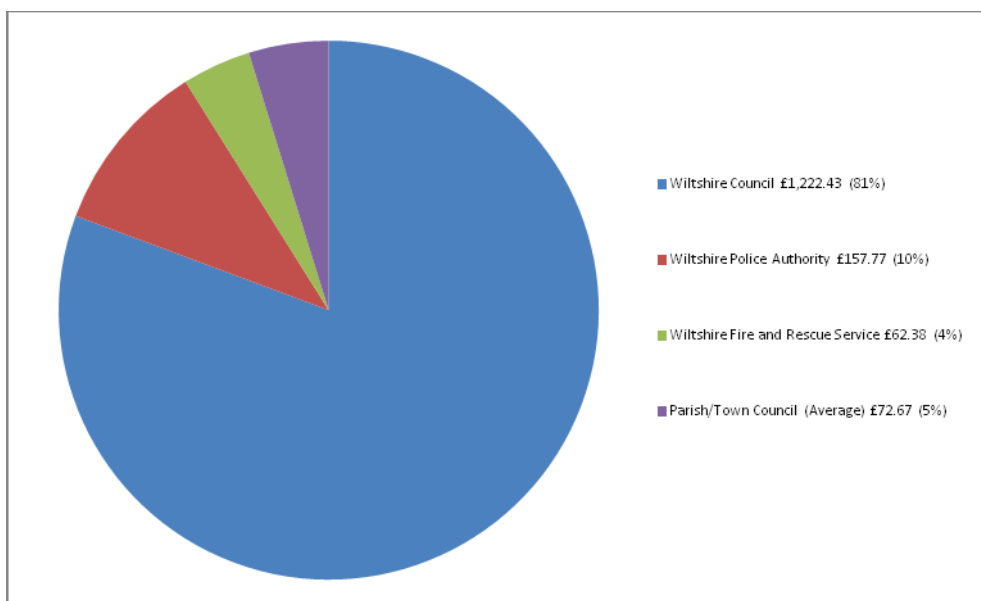
The net budget was funded from three main sources:

	£m
Central government formula grant	(103.690)
Council tax	(221.270)
Collection fund surplus	(1.695)
Total funding	<u>(326.655)</u>



Council tax income collected from Wiltshire residents is the main source of funding for Wiltshire Council Services. Your council tax also contributes to the funding of your town, parish or city council, Wiltshire Police Authority and Wiltshire Fire and Rescue Service.

Your council tax is collected by Wiltshire Council but it consists of components (precepts) charged by and redistributed to other authorities. The chart below shows how much of your council tax goes to each authority. Figures shown are based on an average Band D charge per year for 2012/2013. Total average Band D council tax is £1,515.25.



Council's Reserves

The Council has set up a number of reserves for specific purposes ('earmarked reserves'), for events we know are going to happen. We also have the General Fund Reserve that we keep to manage potential risks that we continually assess. If the General Fund Reserve is not needed to cover these risks then it is possible to use these as a one off to support spending. Details of the Council's usable reserves are reported in the Movement in Reserves Statement and further details in note 47.

The Council is also required to keep a number of unusable reserves, which whilst being large in value are not related to actual cash sums but are technical accounting requirements, such as the Capital Adjustment Reserve, the Revaluation Reserve and the Pension Reserve. Details of these unusable reserves are found in note 51.

Balance Sheet

The Balance Sheet shows what Wiltshire Council owns and is owed (its assets), what it owes (its liabilities), and its total equity/worth (equal to the sum of its assets and liabilities as at a particular point in time).

Here is a summarised version of Wiltshire Council's Balance Sheet as at 31 March 2013 compared to 31 March 2012 (the full Balance Sheet is disclosed on page 16). The overall reduction in net assets is largely due to an increase in the pension liability, capital reductions in the form of asset disposals (particularly schools transferring to academy status) and a one off HRA self financing loan in 2011/2012.

	31 March 2013		31 March 2012	
	£000	£000	£000	£000
Assets				
Council dwellings & garages	201,081		203,954	
Other land and buildings	357,786		399,305	
Infrastructure	256,636		239,298	
Other Long Term Assets	143,282		162,599	
Money owed to the Council due over the next 12 months	154,235		134,951	
		<u>1,113,020</u>		<u>1,140,107</u>
Liabilities				
Money owed by the Council due over the next 12 months	(122,138)		(128,464)	
Long Term Borrowing	(363,900)		(363,861)	
Pension Fund Liability	(464,895)		(377,859)	
Other Long Term Liabilities	(72,941)		(64,513)	
		<u>(1,023,874)</u>		<u>(934,697)</u>
Net Assets		<u>89,146</u>		<u>205,410</u>
Financed by:				
Usable Reserves	(90,032)		(75,099)	
Unusable Reserves	886		(130,311)	
Total Equity		<u>(89,146)</u>		<u>(205,410)</u>

Capital

Capital expenditure is the expenditure on items that are expected to last for more than 1 year, as opposed to revenue expenditure which is on the day to day running costs of the council

Capital expenditure in Wiltshire Council typically includes the expenditure on acquiring or enhancing its assets such as land, buildings, equipment, vehicles and ICT software.

The Council owns various items of land and buildings in the County that it uses for its own purposes, such as the 3 large office hubs County Hall at Trowbridge, Monkton Park in Chippenham and Bourne Hill in Salisbury. The Council also owns a number of other offices, leisure, youth and community centres, Council Housing in Salisbury, various highways depots, as well as fleets of refuse and highways vehicles.

The Council also owns a large number of community schools. Due to a number of schools transferring to academy status, the number and the value of schools land and buildings declared in the statement of accounts has decreased. The council also has infrastructure assets such as the County's road network, street lighting and land drainage. There is also a large investment portfolio used to generate income, including

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industrial estates, commercial estates, farms and shops. In total the value of all the council's fixed assets is around £1 billion. This is covered in more detail in the Council's balance sheet and associated notes.

The Council makes depreciation charges for the assets it owns, these costs reflect the use of the assets and are charged to the Comprehensive Income and Expenditure Statement. As these are technical adjustments they are reversed so they have no effect on Council tax payers.

Expenditure

During 2012/2013 the Council spent a total of £72m on its capital programme resulting in £57m being added to its asset base and £15m in the form of grants given to third parties or work on assets the Council does not own. The table below breaks down the expenditure into the different areas of the council

Capital Schemes by area	Amount spent £m
Education	22.756
Highways	19.650
Campus and Operational Delivery	14.429
Other Property	3.093
Housing	7.342
Waste	0.568
Other	4.042
Total	71.880

Further details on how the Council spent its money on capital can be found in the 2012/2013 Capital Outturn report. This was taken to Cabinet Capital Assets Committee on 23 July 2013 and a full copy of the report is available on the Wiltshire Council webpage under "Council and Democracy."

Examples of capital spend undertaken in 2012/2013 includes

Scheme area	Outputs
Education	Sarum Academy works approaching completion Extensions to school buildings New boilers, roofs and rewiring schools
Highways	Resurfacing roads Local road safety schemes Replacement and refurbishment of bridges Drainage works Salisbury Marketplace scheme underway
Campus	County Hall Opened including new library and coffee shop Enhanced ICT network
Housing	Grants given to disabled householders to improve homes New kitchens and bathrooms in Council houses
Other	Digital inclusion project contracts signed

Capital Funding

The Council funded its capital programme by a mixture of grants and other contributions, capital receipts and borrowing. Further information on how the Council financed its capital expenditure, the amount of debt paid off in the year and the underlying amount of additional borrowing it undertook is found in note 29. A breakdown of the amounts are shown below:

Funding source	Amount £m	Percentage of funding
Capital Grants & contributions	40.490	56%
Revenue Contributions (inc HRA)	4.848	7%
Capital Receipts	10.321	14%
Borrowing	16.221	23%
Total	71.880	100%

Capital receipts are generated from the Council disposing of its assets. During 2012/2013 a total of £13.600 million was generated from general asset disposal sales and under the Council Housing Right to Buy (RTB) Scheme. The larger capital receipts include significant receipts, such as from the sales of the Urchfont Manor Residential College in Devizes, part of the former Pembroke Park School and the Sarum Centre in Salisbury. Included within the £13.600 million receipts a total of £1.510 million was received through the Council Housing RTB Scheme selling 20 properties in 2012/2013. Of the £13.600 million, £10.321 million, as above, was used to fund capital expenditure, with the remainder being held over to finance capital expenditure in 2013/2014.

Borrowing for the capital programme is allowed under the Prudential Code for Capital. If borrowing is undertaken this has a direct link to revenue costs. If the Council borrows an additional £1.000 million this equates to an increase in the borrowing costs of the council of approximately £0.100 million. Therefore the Council only borrows when all other sources of funding have been exhausted and uses the optimum mix of funding sources to minimise the additional revenue costs of borrowing.

Housing Revenue Account (HRA)

The HRA is a statutory account that keeps all the transactions relating to the Council's housing stock separate from the main functions of the council. This is a ring fenced account to ensure all the HRA income from rents are used on the HRA and are not used to subsidise the general fund or vice versa.

There are over 5,400 individual houses and flats within the HRA and the income generated and costs incurred in the account are summarised below. Further details are found in the full HRA note within the statement of accounts.

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Income & expenditure account 2012/2013	£000
Rents	(23,244)
Charges for Services and facilities	(782)
Total Income	(24,026)
Repairs and Maintenance of properties	4,185
Supervision and management costs	4,601
Interest payable on Self financing debt	3,673
Capital Contributions	9,377
Accounting Adjustments	573
Total Expenditure	22,409
Deficit/(surplus) for the year	(1,617)

HRA self financing settlement March 2012

Under the Localism Bill the previous system of annual subsidies controlled by Central Government for the HRA was replaced by a Self financing regime running from April 2012. This meant a payment of £118.810 million was made during March 2012 as a one off settlement amount to replace the previous annual subsidy payments.

From April 2012 moving forwards, the HRA now has more control of its spending and can use the full amount of rents collected from tenants within the HRA. The payment of £118.810 million was financed by borrowing the sum from the Public Works Loans Board (PWLB) at preferential rates to the HRA. This debt has to be serviced from the rents collected but is much lower than the subsidy it would have had to pay under the old regime.

How we manage our finances

Financial management and reporting is facilitated by:

- Regular reports to Cabinet on the Council's Revenue Budget and Capital Programme;
- Regular review by the Corporate Leadership Team;
- Regular consideration of these reports by Overview and Scrutiny Committee;
- 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.

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

Managing our investments and borrowings

The Council generates significant amounts through its investment and borrowing activities that it can invest to deliver a return to help reduce the costs of running the Council. This is because the Council often collects money in advance of when the payments need to go out, and holds significant levels of reserves. Rather than just leaving these amounts in its bank accounts where interest would be minimal, the Council is able to invest these in longer term investments with banks and other institutions.

The Council follows strict national guidelines when deciding where and how much to invest. This process is set out in our Annual Treasury Management Strategy which is approved annually by the Council. At its meeting on 28 February 2012 the Treasury Management Strategy 2012/2013 was approved and is also available on the Council website under "Council and Democracy".

This strategy restricts the level of individual investment, to spread the risk of who we invest with, and restricts us to only use institutions based in the UK.

Over the past 40 years the Council (Wiltshire County Council and the 4 districts before it became one Council in 2009) incurred considerable costs in building and supporting the development of infrastructure and buildings in Wiltshire. That spending was partly funded from borrowing. The Council had to take out an additional £118.810 million of debt under the HRA self financing payment. As at 31 March 2013, the Council's total external debt, including housing, was £366 million (£364 million long term and £2 million short term borrowing). The Council paid a total of £13.8 million of interest on debt during 2012/2013 including the HRA debt. The Council also made a Minimum Revenue Provision, which reflects the principal element of the debt of £14.6 million. The Council is continually monitoring its borrowing to ensure it manages all risks. The Council's Treasury Management Strategy sets this out in detail.

Further information on the way the Council's invests and borrows its monies, and manages the risks arising, are set out in Notes 62 - 64 as well as the Treasury Management Strategy.

Financial challenges for 2012/2013 and onwards – financial plan

The Council's revised Business Plan and a Financial Plan look at Wiltshire's financial position over the next four years.

Budget for 2013/2014 including Capital programme

The 2013/2014 revenue budget was set by Wiltshire Council on 26 February 2013. The net budget is £340.518 million and this has been allocated across services as follows:

	2013/2014 £m	2012/2013 £m
Adult Care Operations	117.820	114.750
Adult Care Commissioning	2.402	2.807
Communities, Libraries, Heritage & Arts	7.362	7.843
Strategic Housing	5.223	5.456
Neighbourhood Services	15.682	16.485
Children & Families	35.585	34.335
Schools & Learning	17.866	21.197
Children's Services Commissioning & Performance	3.673	2.916
Policy, Performance & Partnership	0.260	0.516
Finance, Procurement & Internal Audit	5.160	8.599
Legal & Democratic	6.652	7.488
Communications & Branding	1.977	2.238
Human Resources & Organisational Development	3.163	2.689
Business Services	19.502	23.059
Transformation Programme	16.111	15.492
Economy & Enterprise	3.659	3.862
Development Services	0.852	1.186
Strategic Services, Highways and Transport	25.801	26.582
Waste	31.946	30.597
Public Health	0.264	0.300
Public Protection	3.355	3.755
Digital Inclusion	0.238	0.091
Corporate Directors	0.145	0.970
Corporate	15.820	(6.558)
Budget Requirement	340.518	326.655
Funded By:		
Central Government Funding (inc Business Rates Retention & RSG)	(137.636)	(103.690)
Council tax	(201.182)	(221.270)
Collection fund surplus	(1.700)	(1.695)
Total Funding	(340.518)	(326.655)

The Council's approved capital budget for the years 2013/2014 to 2016/2017 including the funding sources is shown below.

Updated Capital Programme 2013/2014 - 2016/2017 including indicative mix of funding available							
Capital schemes	Total Budget 2013/2014 - 2016/2017	Indicative mix of funding available					Total Funding
		Grants and Contributions	HRA funding	Capital Receipts	Borrowing		
	£m	£m	£m	£m	£m	£m	
Education	74.182	61.103	0.000	7.822	5.257	74.182	
Highways	80.517	67.336	0.000	0.000	13.181	80.517	
Campus schemes	86.345	2.000	0.000	17.329	67.016	86.345	
Other Property	10.000	0.000	0.000	0.000	10.000	10.000	
Housing	53.058	8.102	41.058	2.265	1.633	53.058	
Other Schemes	43.995	10.491	0.000	9.529	23.975	43.995	
Total	348.097	149.032	41.058	36.945	121.062	348.097	

Feedback & further information on the content of these accounts

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

Further information about the accounts may be made to

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

Or centralfinanceyearend@wiltshire.gov.uk

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

12 Concluding remarks

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



Michael Hudson, LLB (Hons), LLM, CPFA
Director of Finance (Section 151 Officer)
Wiltshire Council 4 September 2013

The Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Chief Finance Officer;
- Secure economic, efficient and effective use of its resources and to safeguard its assets;
- Approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Statement of Accounts. This has, under the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice), to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year to 31 March 2013.

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

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

The Chief Financial Officer has also:

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

The Statement of the Chief Finance Officer

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

I certify that the Statement of Accounts presents a true and fair view of the financial position of Wiltshire Council at 31 March 2013 and the income and expenditure for the year ended 31 March 2013.



Michael Hudson
Director of Finance
Wiltshire Council
4 September 2013

Cllr Tony Deane
Chairman, Audit Committee
4 September 2013

ANNUAL GOVERNANCE STATEMENT

To be added once approved

Independent Auditors' Report to the Members of Wiltshire Council

To be added once approved

Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked GF Reserves £000 Note 48	Housing Revenue Account £000	Capital Receipts Reserve £000 Note 50	Major Repairs Reserve £000 Note 49	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000 Note 51	Total Authority Reserves £000
Balance at 1 April 2012	(14,145)	(27,549)	(12,612)	(1,390)	(791)	(18,612)	(75,099)	(130,311)	(205,410)
Movement in reserves during 2012/13									
(Surplus) or deficit on provision of services	39,884	0	(949)	0	0	0	38,935	0	38,935
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	77,329	77,329
Total Comprehensive Expenditure and Income	39,884	0	(949)	0	0	0	38,935	77,329	116,264
Adjustments between accounting basis & funding basis under regulations	(38,993)	0	(668)	(2,982)	(4,903)	(6,322)	(53,868)	53,868	0
	891	0	(1,617)	(2,982)	(4,903)	(6,322)	(14,933)	131,197	116,264
Net (Increase)/Decrease before Transfers to Earmarked Reserves									
Transfers (to)/from Earmarked Reserves	612	(612)	0	0	0	0	0	0	0
(Increase)/Decrease in Year	1,503	(612)	(1,617)	(2,982)	(4,903)	(6,322)	(14,933)	131,197	116,264
Balance at 31 March 2013 carried forward	(12,642)	(28,161)	(14,229)	(4,372)	(5,694)	(24,934)	(90,032)	886	(89,146)

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

Comprehensive Income and Expenditure Statement

This account shows expenditure on and income from the Council's day to day activities. Expenditure includes salaries, wages, service and depreciation charges. It gives the cost of the main services provided by the Council. This statement is shown in a statutory format. Full details about how this ties back to the Council's regular budget monitoring reporting is shown in note 10.

	2012/2013			2011/2012		
	Expenditure £000	Income £000	Net Expenditure £000	Expenditure £000	Income £000	Net Expenditure £000
General Fund Services						
Central Services to the Public	33,448	(30,864)	2,584	34,056	(30,120)	3,936
Culture & Related Services	27,350	(7,362)	19,988	36,351	(6,829)	29,522
Environmental & Regulation	61,938	(6,618)	55,320	57,221	(7,125)	50,096
Planning Services	24,434	(9,208)	15,226	24,112	(11,752)	12,360
Children's and Education Services	344,876	(247,125)	97,751	412,516	(293,917)	118,599
Highways, Roads & Transport Services	43,479	(14,621)	28,858	47,918	(17,840)	30,078
Housing Services General Fund	139,131	(121,291)	17,840	133,035	(111,116)	21,919
Housing Services HRA	20,341	(24,262)	(3,921)	36,906	(22,999)	13,907
Exceptional Costs - HRA Self financing settlement	0	0	0	118,810	0	118,810
Adult Social Care	149,878	(19,768)	130,110	145,574	(19,600)	125,974
Corporate & Democratic Core	13,866	(1,645)	12,221	15,471	(1,430)	14,041
Non-distributed Costs	7,914	(9,475)	(1,561)	12,960	(6,986)	5,974
Exceptional Costs - Office Downward Valuation	14,716	0	14,716	0	0	0
Net Cost of Service (See note 10)	881,371	(492,239)	389,132	1,074,930	(529,714)	545,216
Other operating Expenditure		Note 13	43,566			73,473
Financing and Investment Income and Expenditure		Note 14	26,584			18,187
Taxation and non-specific grant income		Note 15	(420,347)			(420,614)
(Surplus)/ Deficit on Provision of Services			38,935			216,262
(Surplus) or deficit on revaluation of Property, Plant and Equipment Assets			(4,377)			(23,754)
Actuarial (gains)/losses on pension assets / liabilities			81,706			69,120
Other Comprehensive Income and Expenditure			77,329			45,366
Total Comprehensive Income and Expenditure			116,264			261,628

Balance Sheet

This statement summarises the Council's assets and liabilities at 31 March for the years 2013 and 2012.

	NOTES	31 March 2013 Wiltshire Council		31 March 2012
		£000	£000	Wiltshire Council £000
Property, Plant and Equipment	27			
- Council Dwellings & Garages		201,081		203,954
- Other Land and Buildings		357,786		399,305
- Vehicles, Plant, Furniture and Equipment		70,120		82,467
- Infrastructure		256,636		239,298
- Community Assets		6,357		6,356
- Assets Under Construction		24,844		26,653
- Surplus Assets Not Held for Sale		3,355		3,908
			920,179	961,941
Investment Properties	37	25,436		29,690
Intangible Assets	38	5,157		6,729
Assets Held for Sale	39	4,463		2,480
Long Term Investments	63	1,117		2,110
Long Term Debtors	40	2,433		2,206
			38,606	
Long Term Assets			958,785	1,005,156
Current Assets				
Short Term Investments	63	66,521		47,677
Inventories		995		1,061
Short Term Debtors	41	70,793		60,558
Cash and Cash Equivalents	42	15,926		25,655
Current Assets			154,235	134,951
Current Liabilities				
Short Term Creditors	43	(95,267)		(114,771)
Bank Overdraft	44	(19,214)		(4,863)
Short Term Borrowing	46	(2,237)		(2,246)
Provisions	45	(5,420)		(6,584)
Current Liabilities			(122,138)	(128,464)
Long Term Liabilities				
Long Term PFI Creditors	36	(45,468)		(40,497)
Long Term Borrowing	46	(363,900)		(363,861)
Other Long Term Liabilities		(1,672)		(1,004)
Pension Fund Liability	54	(464,895)		(377,859)
Planning Deposits		(25,801)		(23,012)
Long Term Liabilities			(901,736)	(806,233)
Net Assets			89,146	205,410
Financed by				
Usable Reserves	47		(90,032)	(75,099)
Unusable Reserves	51		886	(130,311)
Total Reserves			(89,146)	(205,410)



Michael Hudson

Director of Finance 4 September 2013

Cashflow Statement

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

	NOTES	2012/2013 £000	2011/2012 £000
Net (surplus) or deficit on the provision of services		38,935	216,262
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(17,726)	(70,502)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	55	(12,813)	(9,215)
Net cash flows from Operating Activities		8,396	136,545
Investing Activities	56	15,714	(16,800)
Financing Activities	57	(30)	(118,910)
Net decrease or (increase) in cash and cash equivalents		24,080	835
Cash and cash equivalents at the beginning of the reporting period		20,792	21,627
Cash and cash equivalents at the end of the reporting period		(3,288)	20,792

Notes to the Core Financial Statements

For ease of reference, this year the notes to the core financial statement are grouped in functional areas.

NOTES RELATING TO ACCOUNTING POLICIES

Note 1 Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/2013 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2012 in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/2013 and the Service Reporting Code of Practice 2012/2013, supported by International Financial Reporting Standards (IFRS).

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

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

Landfill Allowance Schemes

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

iv. Reserves

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

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

v. Government Grants and Contributions

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

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

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

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

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

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

vi. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are eligible to join the following separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by Wiltshire Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the gross redemption yield on the Iboxx Sterling Corporates Index, AA over 15 years, at the IAS19 (valuation date, subject to the removal of recently re-rated bonds from the index).

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

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

Discretionary Benefits

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

vii. VAT

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

viii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/2013. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate and Democratic Core (costs relating to the Council's status as a multifunctional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in the Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

ix. Intangible Fixed Assets

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

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

x. Property, Plant and Equipment

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

Recognition: Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that

maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

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

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

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

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

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

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

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

xi. Investment Property

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

xii. Charges to Revenue for Non-Current Assets

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

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

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

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

xiii. Revenue Expenditure Funded From Capital Under Statute

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

xiv. Leases

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

Operating Leases

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

xv. Financial Instruments

Financial Liabilities

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

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

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

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

Loans and receivables

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive

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

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

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

xvi. Inventories and Long Term Contracts

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

xvii. Interest in companies and other entities

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

xviii. Private Finance Initiative (PFI)

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

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

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

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

xix. Exceptional Items

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

xx. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

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

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

xxii. Events after the Balance Sheet Date

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

Two types of events can be identified:

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

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

xxiii. Non-Compliance with Code of Practice

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

xxiv. Foreign Currency

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date of the transaction. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xxv. Heritage Assets

The Council's Heritage Assets are assets that are kept to increase the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage

assets are also presented below. The Council's collections of heritage assets are accounted for as disclosed in note 34.

If items are of a material nature a separate external revaluation exercise would be commissioned and the assets carried at market value in the balance sheet, alternatively insurance valuations would be used to establish value. If this was the case these assets would be reviewed for impairment on a regular basis and the figures in the balance sheet updated accordingly. Any disposals would be treated in the same way as other assets. If the values of the assets are of limited or no value then they will be disclosed in a note to the accounts only and not brought into the balance sheet with a value. This decision is made based on whether the cost of obtaining a valuation exceeds the benefits to the users of the accounts.

For Wiltshire Council, which does not hold museum or art collections, the costs of commissioning external valuations exceeds the benefit to the users of the accounts therefore the assets are disclosed in a note to the accounts only. The assets disclosed in note 34 include a property (the East Grafton Windmill), the White Horse in Westbury, and a small collection of art held across the county. Further details are found in note 34.

xxvi. Carbon Reduction Commitment scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

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

For 2012/2013, there are a number of accounting policy changes that have been issued but not yet reported. These include changes around

- **IAS 19 Employee Benefits (June 2011 Amendments)**
- **IAS 1 Presentation of Financial Statements—Other Comprehensive Income (June 2011 Amendments, presentational issues only)**
- **IFRS 7 Financial Instruments Disclosures—Offsetting Financial Assets and Liabilities (December 2011 Amendments)**
- **IAS 12 Deferred Tax: Recovery of Underlying Assets (December 2010 Amendments)**

The code of practice requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. It is considered that these standards will not have a material impact on the financial statements of Wiltshire Council, so no further disclosure is required in these accounts in this year.

Note 3 Critical Judgements in applying accounting policies

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

- There remains a degree of uncertainty about future levels of funding for local government for both Revenue and Capital funding. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- A total of £12m by predecessor authorities was invested in Heritable and Landsbanki banks before they both collapsed in 2008. Further details of the impacts of this are in note 64.

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

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

The items in the Council's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. The total depreciation charge made in 2012/2013 on PPE assets was £37 million so if the assumptions were to change this could have an effect on the amount of depreciation charged in future years. This would be mitigated by the fact that depreciation is reversed out so has no impact on the level of Council Tax.
Provisions	The Council has made a number of provisions in the accounts, totalling £5.420 million. These are based on current information and current likely settlement value. Provisions will need to be reviewed on a regular basis to ensure they are kept up to date. Further information is found in note 45.	An increase over the forthcoming year in either the total number of claims or the estimated average settlement would each have the effect of adding to the provision needed
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured and further details of the assumptions are in note 61.
Arrears	At 31 March 2013, the Council had a balance of debtors of £78 million. A bad debt provision of £9 million or around 11% of the debt has been made. In the current economic climate it is not certain that the provision will be sufficient.	If collection rates were to deteriorate, an additional bad debt provision would have to be made. See note 41 for further details.

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

Note 5 Authorisation of Accounts for Issue

These accounts were considered and authorised by the Chief Financial Officer of Wiltshire Council on the 20 June 2013. The final, audited version of these accounts will be considered for approval by the Audit Committee at its meeting on 4 September 2013.

Note 6 Events after the Balance Sheet Date

The Statement of Accounts will be authorised by the Chief Financial Officer and the Audit Committee on 4 September 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Adjusting Events after the Balance Sheet Date

There are no adjusting events after the balance sheet date for 2012/2013.

Non Adjusting Events after the Balance Sheet Date

Non Domestic Rates - Appeals

New arrangements for the retention of business rates came into effect from 1 April 2013. As part of these new arrangements, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

Wiltshire Council assumed this liability on 1 April 2013 therefore as no liability existed as at 31 March 2013, the event is a non adjusting event and therefore requires no accounting entries to be made to the financial statements.

Although the liability for refunding ratepayers belongs to Wiltshire Council, the actual costs are eventually shared between Central Government (50%), Wiltshire Council (49%) and Wiltshire & Swindon Fire Authority (1%). Wiltshire Council estimates its share of this liability at 31 March 2013 to be £6.179 million should all appeals be successful.

Note 7 Summary of Prior Year adjustments

No prior year adjustments have been made during 2012/2013.

NOTES TO MOVEMENT IN RESERVES STATEMENT

Note 8 Adjustments between accounting basis and funding basis under regulations

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

Reserve 2011/2012	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(25,890)	(18,327)				44,217
Charges for impairment of plant, property and equipment	(13,774)					13,774
Charges for impairment of investment properties	(2,996)					2,996
Movements in the market value of Investment Properties	1,362					(1,362)
Amortisation of intangible assets	(2,794)					2,794
HRA Self financing settlement		(118,810)				118,810
Revenue expenditure funded from capital under statute	(23,449)					23,449
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(60,484)	234	(7,257)			67,507
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for the financing of capital investment	12,225					(12,225)
Capital expenditure charged against the General Fund and HRA balances	1,884	1,265				(3,149)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	41,843				(41,843)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	61				49,023	(49,084)
Adjustments primarily involving the Capital Receipts Reserve						
Use of the Capital Receipts Reserve to finance new capital expenditure			5,597			(5,597)
Reserve to finance the payments to the Government capital receipts pool	(489)		489			0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	50		(219)			169
Adjustment primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		3,646		14,681		(18,327)
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				(14,329)		14,329
Adjustment primarily involving the Financial Instruments Adjustments Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)					53
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 61)	(27,346)					27,346
Employer's pensions contributions and direct payments to pensioners payable in the year	29,885	145				(30,030)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	929					(929)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(7,877)	13				7,864
Total Adjustments	(76,913)	(131,834)	(1,390)	352	7,180	202,605

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement						
Charges for depreciation of non-current assets	(26,795)	(10,708)				37,503
Charges for impairment of plant, property and equipment	(26,108)					26,108
Charges for impairment of investment properties	(4,766)					4,766
Movements in the market value of Investment Properties	492					(492)
Amortisation of intangible assets	(2,918)					2,918
Revenue expenditure funded from capital under statute	(15,027)					15,027
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(30,325)	560	(13,718)			43,483
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	14,618					(14,618)
Capital expenditure charged against the General Fund and HRA balances	1,448	3,400				(4,848)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement and Expenditure Statement	45,737				(45,737)	0
Application of grants to capital financing transferred to the Capital Adjustment Account					39,415	(39,415)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure			10,321			(10,321)
Reserve to finance the payments to the Government capital receipts pool	(648)		648			0
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	116		(233)			117
Adjustment primarily involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA		5,977		4,731		(10,708)
Use of the Major Repairs Reserve to finance new capital expenditure and depreciation				(9,634)		9,634
Adjustment primarily involving the Financial Instruments Adjustments Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(57)					57
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 61)	(34,380)					34,380
Employer's pensions contributions and direct payments to pensioners payable in the year	28,951	99				(29,050)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(823)					823
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	11,492	4				(11,496)
Total Adjustments	(38,993)	(668)	(2,982)	(4,903)	(6,322)	53,868

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Note 9 Revenue outturn

In respect of net revenue outturn, the Council's 2012/2013 General Fund revised budget and actual spending figures were as below:

	Original Budget £m	Revised Budget £m	Actual £m	Difference £m
Total General Fund (a)	326.655	326.655	326.568	(0.087)
Funded by:				
Draw from general fund reserves			1.643	1.643
Formula Grant including Council Tax Freeze	(103.690)	(103.690)	(103.743)	(0.053)
Collection Fund Transfer	(221.270)	(221.270)	(221.268)	0.002
Collection Fund (Surplus)/Deficit	(1.695)	(1.695)	(1.695)	0.000
Total Funding (b)	(326.655)	(326.655)	(325.063)	1.592
Movement on General Fund (a)-(b)	0.000	0.000	1.505	1.505

The movement on the general fund of £1.505 million decrease is equivalent to the £1.503 million in the Movement of Reserves Statement, but reflects different roundings.

Note 10 Amounts reported for Resource Allocation Decisions

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

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

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

The income and expenditure of the Council's service blocks recorded in the budget monitoring reports for the year is as follows.

2012/2013	Employee expenses £000	Other service expenses £000	Total Expenditure £000	Fees, charges	Government Grants £000	Total	Net Expenditure £000
				& other service income £000		Income £000	
Adult Care Operations	18,574	116,288	134,862	(17,169)	(2,408)	(19,577)	115,285
Adult Care Commissioning	2,106	1,110	3,216	(69)	(145)	(214)	3,002
Communities, Libraries, Heritage & Arts	5,719	4,123	9,842	(1,190)	(248)	(1,438)	8,404
Strategic Housing	2,485	4,670	7,155	(971)	(1,931)	(2,902)	4,253
Neighbourhood Services	14,958	18,221	33,179	(15,313)	(442)	(15,755)	17,424
Children & Families	16,524	24,127	40,651	(1,130)	(1,732)	(2,862)	37,789
Schools & Learning	15,891	43,109	59,000	(6,678)	(31,492)	(38,170)	20,830
Children's Services Commissioning & Performance	160,600	51,485	212,085	(18,657)	(188,360)	(207,017)	5,068
Policy, Performance & Partnership	351	11	362	(3)	0	(3)	359
Finance	8,548	155,163	163,711	(151,063)	(6,713)	(157,776)	5,935
Legal & Democratic	5,508	2,043	7,551	(784)	(31)	(815)	6,736
Communications	1,168	1,058	2,226	(42)	(20)	(62)	2,164
HR & Organisational Development	4,264	337	4,601	(1,192)	(8)	(1,200)	3,401
Business Services	11,658	15,525	27,183	(6,718)	0	(6,718)	20,465
Transformation Programme	2,436	15,218	17,654	(789)	0	(789)	16,865
Economy and Enterprise	2,759	3,009	5,768	(489)	(1,011)	(1,500)	4,268
Development Services	5,314	736	6,050	(5,117)	(11)	(5,128)	922
Strategic Services, Highways and Transport	4,171	29,401	33,572	(3,938)	(3,498)	(7,436)	26,136
Waste	6,751	26,058	32,809	(3,192)	0	(3,192)	29,617
Public Health & Protection	4,491	794	5,285	(1,237)	(90)	(1,327)	3,958
Digital Inclusion	139	46	185	0	(40)	(40)	145
Corporate Directors	911	163	1,074	(37)	0	(37)	1,037
Corporate	7,223	22,586	29,809	(12,780)	(24,524)	(37,304)	(7,495)
Total General Fund Budget	302,549	535,281	837,830	(248,558)	(262,704)	(511,262)	326,568
HRA	2,609	21,793	24,402	(24,402)	0	(24,402)	0
TOTAL EXPENDITURE	305,158	557,074	862,232	(272,960)	(262,704)	(535,664)	326,568

2011/2012	Employee expenses £000	Other service expenses £000	Total Expenditure £000	Fees, charges	Government grants £000	Total	Net Expenditure £000
				& other service income £000		Income £000	
Adult Care Operations	19,363	118,404	137,767	(19,029)	(915)	(19,944)	117,823
Adult Care Commissioning	2,048	1,872	3,920	(129)	(2)	(131)	3,789
Communities, Libraries, Heritage & Arts	5,730	4,148	9,878	(864)	(286)	(1,150)	8,728
Strategic Housing	2,160	1,195	3,355	(892)	(134)	(1,026)	2,329
Neighbourhood Services	13,399	21,288	34,687	(14,562)	(4,239)	(18,801)	15,886
Children & Families	16,574	20,552	37,126	(775)	(1,836)	(2,611)	34,515
Schools & Learning	17,470	44,105	61,575	(7,350)	(31,934)	(39,284)	22,291
Children's Services Commissioning & Performance	191,302	59,698	251,000	(18,807)	(226,917)	(245,724)	5,276
Policy, Performance & Partnership	439	18	457	(4)	0	(4)	453
Finance	9,094	146,013	155,107	(141,492)	(4,054)	(145,546)	9,561
Legal & Democratic	5,896	2,181	8,077	(1,380)	0	(1,380)	6,697
Communications	1,214	981	2,195	(53)	0	(53)	2,142
HR & Organisational Development	2,852	537	3,389	(352)	(24)	(376)	3,013
Business Services	14,596	13,718	28,314	(4,390)	(1)	(4,391)	23,923
Transformation Programme	1,611	16,324	17,935	(3,059)	0	(3,059)	14,876
Economy and Enterprise	3,144	4,963	8,107	(2,205)	(1,633)	(3,838)	4,269
Development Services	5,189	1,295	6,484	(5,094)	0	(5,094)	1,390
Strategic Services, Highways and Transport	4,191	29,784	33,975	(4,065)	(2,972)	(7,037)	26,938
Waste	6,038	23,630	29,668	(3,498)	(25)	(3,523)	26,145
Public Health & Protection	4,593	1,806	6,399	(1,432)	(687)	(2,119)	4,280
Digital Inclusion	77	98	175	0	(6)	(6)	169
Corporate Directors	1,241	434	1,675	(42)	0	(42)	1,633
Corporate	9,298	22,037	31,335	(11,429)	(26,401)	(37,830)	(6,495)
Total General Fund Budget	337,519	535,081	872,600	(240,903)	(302,066)	(542,969)	329,631
HRA Budget	2,455	17,092	19,547	(19,547)	0	(19,547)	0
TOTAL EXPENDITURE	339,974	552,173	892,147	(260,450)	(302,066)	(562,516)	329,631

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

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

	2012/2013
	£000
Net expenditure in the Service Analysis	326,568
Net expenditure of services and support services not included in the analysis	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	64,983
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(2,419)
Cost of Services in Comprehensive Income and Expenditure Statement	389,132

Reconciliation to Subjective Analysis

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

Department Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(248,568)	0	0	(6,014)	(254,572)	0	(254,572)
Interest and investment income	0	0	1,174	0	1,174	(1,174)	0
Income from council tax	0	0	0	0	0	(235,294)	(235,294)
Government grants and contributions	(262,704)	0	0	35,572	(757)	(227,889)	(412,942)
Total Income	(511,262)	0	0	36,746	(6,771)	(481,287)	(902,808)
Employee expenses	302,549	0	(20,043)	0	27,569	310,075	13,877
Other service expenses	535,281	0	15,221	(5,631)	32,367	577,238	0
Support Service recharges	0	0	0	0	(58,794)	(58,794)	0
Depreciation, amortisation and impairment	0	0	70,803	(5,977)	5,629	70,455	0
HRA Self Financing Settlement	0	0	0	0	0	0	0
Interest Payments	0	0	(998)	(27,557)	0	(28,555)	13,881
Precepts & Levies	0	0	0	0	0	0	13,154
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	647
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	29,765
Total expenditure	837,830	0	64,983	(39,165)	6,771	870,419	71,324
Surplus or deficit on the provision of services	326,568	0	64,983	(2,419)	0	389,132	(350,197)

In order to convert the regular budget monitoring reports taken to Cabinet into the proper statutory format required for the Comprehensive Income and Expenditure Statement in the statement of accounts, certain technical adjustments are required. A breakdown of the amounts not reported to management for decision making is included in the following table.

	2012/2013
	£000
Adjustments relating to Pensions reporting	(8,547)
Adjustments relating to Accumulated Absences	(11,496)
Adjustments relating to contributions to Capital Expenditure	13,578
Adjustments relating to Capital Depreciation and Impairments	70,803
Adjustments relating to PFI schemes	(998)
Draw from General Fund Reserves	1,643
Total amounts not reported to management for decision making	64,983

Note 11 Exceptional item – Valuation of County Hall building

The major development of County Hall to refurbish and rearrange the layout of the former Modern Extension County Hall (MECH) including relocating the library from East wing and creating a new coffee shop and Atrium area was completed during 2012/2013. The costs of the project were over £20 million which was delivered on time and on budget. As it is good practice to revalue properties when they are complete to ensure the carrying values are appropriate, the external valuers provided a valuation for the new building as at 31 March 2013. The valuation performed is at the buildings existing use value which reflects the value of the building in its form as an office space that could be rented out. This means the value of the building is significantly lower than the resulting cost of construction, therefore an downward valuation of £14 million have been charged to the Comprehensive Income and Expenditure Statement. This does not reflect a loss to the council as the downward valuation is reversed out before so there is no effect on the general fund balance.

Note 12 Material Items of Income and Expense

Under the Code of Practice, if there are individual items that are material and have not been separately disclosed as an exceptional item on the face of the Comprehensive Income and Expenditure Statement, they should be disclosed separately in this note. Examples of material items that should be disclosed separately include major disposals and major reversal of provisions. The Council does not have any material individual items that require separate disclosure, all income and expenditure are disclosed as part of the Comprehensive Income and Expenditure Statement.

Note 13 Other Operating Expenditure

	2012/2013 £000	2011/2012 £000
Parish council precepts	13,154	12,733
Levies	0	0
Payments to the Government Housing Capital Receipts Pool	647	489
Gains/losses on the disposal of non-current assets	29,765	60,251
Total	43,566	73,473

Note 14 Financing and Investment Income and Expenditure

	2012/2013 £000	2011/2012 £000
Interest payable and similar charges	13,881	10,667
Impairment of Investments	(106)	(584)
Interest and investment income	(1,068)	(1,452)
Pension Interest Costs and expected return on pension assets	13,877	9,556
Total	26,584	18,187

Note 15 Taxation and Non Specific Grant Income

The Council received the following income in respect of General Government Grants and Council Tax.

	2012/2013 £000	2011/2012 £000
General Government Grants	(35,572)	(35,197)
Formula Grant including Council Tax Freeze	(103,744)	(109,671)
Council Tax Income	(235,294)	(233,842)
Capital grants and contributions	(45,737)	(41,904)
Total	(420,347)	(420,614)

Council Tax Income is made up of £221,268,411 for Council Tax Transfer, £1,694,783 for Collection Fund Surplus, £13,154,080 for Parish Council Precepts and a (£822,556) adjustment in accordance with statutory requirements.

Note 16 Acquired and Discontinued Operations

There are no acquired or discontinued operations in this year.

Note 17 Significant Trading Services

The Council ran no significant trading services during the year.

Note 18 Agency Income & Expenditure

Under section 101(l) 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 19 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 2012/2013.

	2012/2013 £000	2011/2012 £000
On Street Parking		
Expenditure During the Year	1,476	1,290
Income During the Year	(1,421)	(1,204)
Movement in Year	55	86

Note 20 Pooled Budgets**Partnerships Schemes under S31 Health Act****Joint Procurement Arrangement**

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

In 2012/2013 Wiltshire Council had expenditure of £1.312 million and Wiltshire PCT had expenditure of £3.006 million. The total joint arrangement spend was £4.318 million.

Note 21 Members' Allowances

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

	2012/2013 £000	2011/2012 £000
Allowances	1,620	1,551
Expenses	98	100
Total	1,718	1,651

Note 22 Officers' Remuneration

The Council is required to disclose the number of employees who received taxable remuneration from Wiltshire Council in excess of £50,000 for the year. These figures include Wiltshire Council employees as well as teaching and non-teaching employees employed directly by Wiltshire Council Schools.

Remuneration Band £	2012/2013	2011/2012
	No. Employees	No. Employees
50,000-54,999	119	147
55,000-59,999	98	110
60,000-64,999	34	46
65,000-69,999	7	12
70,000-74,999	16	13
75,000-79,999	8	12
80,000-84,999	5	5
85,000-89,999	6	5
90,000-94,999	5	6
95,000-99,999	2	1
100,000-104,999	0	1
105,000-109,999	1	1
110,000-114,999	0	0
115,000-119,999	1	0
120,000-124,999	0	0
125,000-129,999	1	1
130,000-134,999	2	3
Other bands:		
195,999-199,999	0	0
220,000-224,999	0	1
230,000-234,999	1	0
310,000-314,999	0	1
TOTAL	306	365

Notes:

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

2012/2013 Remuneration for Senior Employees - Salary is £150,000 or more per year
(Included in Officer's Remuneration Bandings)

No officers had a salary in excess of £150,000 during 2012/2013.

2011/2012 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 2011/2012 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2011/2012 £
Chief Executive (subnote A) A Kerr	114,448	0	9,749	187,102	0	311,299	16,851	328,150
	114,448	0	9,749	187,102	0	311,299	16,851	328,150

Subnote A:

A Kerr left Wiltshire Council on 11 November 2011. The annualised salary was £183,000.

2012/2013 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 2012/2013 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2012/2013 £
Corporate Director A	130,556	0	1,518	0	0	132,074	19,583	151,657
Corporate Director B (Subnote B)	100,421	0	151	130,198	0	230,770	14,688	245,458
Corporate Director C	130,556	0	0	0	0	130,556	19,583	150,139
Director of Finance	108,585	0	422	0	0	109,007	16,288	125,295
Director Legal Services and Democratic Representation	88,030	0	0	0	0	88,030	13,204	101,234
Head of Paid Service	85,224	0	550	0	0	85,774	12,784	98,558
	643,372	0	2,641	130,198	0	776,211	96,130	872,341

Subnote B:

Corporate Director B left Wiltshire Council on 31 December 2012. The annualised salary was £130,556.

2011/2012 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 2011/2012 £	Employers Pension Contributions £	Total Remuneration including pension contributions 2011/2012 £
Corporate Director A	130,556	0	1,238	0	0	131,794	19,583	151,377
Corporate Director B	130,556	0	89	0	0	130,645	19,583	150,228
Corporate Director C	130,556	0	0	0	0	130,556	19,583	150,139
Corporate Director D (Subnote C)	93,256	0	1,182	126,165	0	220,603	13,110	233,713
Director of Finance (Subnote D)	63,341	0	0	0	0	63,341	9,501	72,842
Director Legal Services and Democratic Representation	88,030	0	0	0	0	88,030	13,204	101,234
Head of Paid Service	85,224	0	0	0	0	85,224	12,784	98,008
	721,519	0	2,509	126,165	0	850,193	107,348	957,541

Subnote C:

Corporate Director D left Wiltshire Council on 9 December 2011. The annualised salary was £126,512.

Subnote D:

The Director of Finance was permanently appointed by Wiltshire Council in September 2011. The annualised salary was £108,585.

Prior to this permanent appointment, the post was filled on an interim basis through an agency arrangement and was therefore not an employee of the Council.

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Band (including special payments) £	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band	
	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012 £	2012/2013 £
0-20,000	49	33	250	204	299	237	2,070,654	1,713,181
20,001-40,000	5	5	71	47	76	52	1,994,927	1,338,219
40,001-60,000	0	0	19	13	19	13	920,095	631,110
60,001-80,000	0	0	4	3	4	3	265,397	208,552
80,001-100,000	0	0	2	0	2	0	167,341	0
100,001-150,000	0	0	2	0	2	0	226,372	0
150,001-200,000	0	0	1	2	1	2	187,101	333,940
200,001-250,000	0	0	0	0	0	0	0	0
250,001-300,000	0	0	0	1	0	1	0	264,933
Total	54	38	349	270	403	308	5,831,887	4,489,935

Note 23 External Audit Fees

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

	2012/2013 £000	2011/2012 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	222	370
Fees payable to the Audit Commission for certification of grant claims and returns	35	80
Fees Payable for additional work	31	0
Total	288	450

Note 24 Dedicated Schools Grant**Reserves & balances held by schools****Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the Council's area. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012/2013 are as follows:

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2012/2013 before academy recoupment			(294,155)
Academy figure recouped for 2012/2013			(92,659)
Total DSG after academy recoupment for 2012/2013			(201,496)
Brought forward from 2011/2012			(2,654)
Agreed initial budget distribution in 2012/2013	(37,229)	(166,921)	(204,150)
Final budgeted distribution for 2012/2013	(37,229)	(166,921)	(204,150)
Less actual central expenditure	34,840		34,840
Less actual ISB deployed to schools		166,921	166,921
Carry forward to 2013/2014	(2,389)	0	(2,389)

Note 25 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/2013:

	2012/2013 £000	2011/2012 £000
Credited to Taxation and Non Specific Grant Income		
General Government Grants	(35,572)	(35,197)
Non-Domestic Rate Pool Redistribution	(103,744)	(109,671)
Total	(139,316)	(144,868)
Credited to Services		
Dedicated Schools Grant	(201,496)	(235,247)
Pupil Premium Grant	(10,214)	(5,881)
Learning & Skills Council	(4,655)	(11,106)
PFI	(5,909)	(3,978)
Benefits Admin Grant	(2,572)	0
Other Grants	(13,229)	(17,828)
Other Contributions	(5,750)	(5,052)
Donations	(1,218)	(1,379)
Total	(245,043)	(280,471)
Total Grants, Contributions & Donations	(384,359)	(425,339)

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

	31 March 2013 £000	2011/2012 £000
Revenue Grants to be returned (Creditor)		
Other Grants	(396)	0
Total	(396)	0

	31 March 2013 £000	2011/2012 £000
Revenue Grants Receipts in Advance		
Community Transport Grant	0	(241)
New Homes Bonus Grant	0	(372)
Other Grants	(113)	0
Total	(113)	(613)

	31 March 2013 £000	2011/2012 £000
Capital Grants Receipts in Advance		
Other Capital Grants	0	0
Other Capital Contributions	0	0
Total	0	0

Note 26 Related Parties

The Council is required to disclose material transactions with related parties. Related parties are persons or entities that are related to Wiltshire Council. A related party transaction is a transfer of resources or obligations between a reporting entity (Wiltshire Council) and a related party, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the authority or the government of which it forms part.

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 10 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2013 are shown in Note 25.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2012/2013 is shown in note 21. 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. This Register of interests has been reviewed and no material transactions have been discovered.

Wiltshire Pension fund – In 2012/2013 the Council charged the fund £0.975 million (£0.952 million in 2011/2012) for expenses incurred in administering the fund.

During 2012/2013 various Wiltshire Council Councillors were also members of parish or town councils, police bodies and other bodies. Significant payments made to these bodies, where a Councillor has a registered interest in the relevant financial year, by Wiltshire Council are listed below. This includes significant housing benefit payments to housing associations in respect of their tenants.

	2012/2013 £000	2011/2012 £000
Age Concern	0	154
Amesbury Town Council	24	69
Aster/Sarsen	13,478	12,442
Calne Leisure Centre	0	71
Calne Town Council	45	45
Chippenham Town Council	70	61
Devizes Town Council	36	160
Durrington Town Council	0	196
Environment Agency	0	577
Ezy's Taxis	152	0
Green Square/Westlea Housing Association	15,947	10,883
Great Western Hospital Trust	613	0
Jephson Housing Association	696	993
Lady Margaret Hungerford Charities	23	0
Malmesbury Town Council	0	29
Marlborough Town Council	0	35
Minerva Travel	0	23
Salisbury Arts Council	0	104
Salisbury City Council	0	564
Salisbury NHS Trust	91	104
Salisbury Playhouse	0	155
Selwood Housing Association	16,537	15,631
South West Council	0	61
The Great Bustard Group	0	23
Trowbridge Community Area Future	0	37
Trowbridge Town Council	234	147
Tycos Electronics	0	93
Warminster Town Council	0	146
Westbury Town Council	0	131
Wiltshire and Swindon Fire Authority	0	46
Wiltshire Music Service	92	0
Wiltshire Police Authority/OPCC	433	372
Wiltshire Wildlife Trust	324	784
Wootton Bassett Town Council	0	33
Total	48,795	44,169

Significant amounts owed to bodies listed as Councillor interests in 2012/2013 were as follows (these amounts are included in Short Term Creditors on the Balance Sheet):

	£000
Aster	(58)
Great Western Hospital Trust	(24)
Wiltshire & Berkshire Canal Trust	(23)
Total	(105)

BALANCE SHEET NOTES RELATING TO CAPITAL

Note 27 Property, Plant and Equipment (PPE)

	Council Dwellings & Garages inc land £000	Other Land & Buildings £000	Vehicles, Plant and Equipment £000	Infra-structure £000	Community Assets £000	Assets under Construction £000	Surplus Assets £000	Total Property, and Plant & Equipment £000	PFI included in PPE (Restated) £000
Cost or Valuation									
Opening Balance 1 April 2012	286,243	645,224	133,484	282,108	7,096	26,653	3,912	1,384,720	63,699
Additions	905	21,618	7,648	16,311	1	16,455		62,938	7,451
Derecognition - Disposals	(905)	(10,939)	(228)					(12,072)	0
Derecognition - Other		(46,001)	(4,232)					(50,233)	(4,989)
Revaluation increases recognised in the Revaluation Reserve	4,342	6,279	1,515					12,136	0
Revaluation decreases recognised in the Revaluation Reserve	(1,121)	(5,588)	(1,051)					(7,760)	0
Category Adjustments	(1,353)	(7,627)	1,960	6,105		(3,548)		(4,463)	0
At 31 March 2013	288,111	602,966	139,096	304,524	7,097	39,560	3,912	1,385,266	66,161
Depreciation and Impairments									
Opening Balance 1 April 2012	(82,289)	(245,919)	(51,017)	(42,810)	(740)	0	(4)	(422,779)	(4,000)
Depreciation	(4,741)	(10,208)	(17,394)	(5,073)			(20)	(37,436)	(1,375)
Accumulated depreciation written back on derecognition of assets		20,642	594					21,236	0
Impairment losses recognised in the surplus/deficit on provision of services		(9,695)	(1,159)	(5)		(14,716)	(533)	(26,108)	(4,374)
At 31 March 2013	(87,030)	(245,180)	(68,976)	(47,888)	(740)	(14,716)	(557)	(465,087)	(9,749)
Net Book Value at 31 March 2013	201,081	357,786	70,120	256,636	6,357	24,844	3,355	920,179	56,412
Net Book Value at 31 March 2012	203,954	399,305	82,467	239,298	6,356	26,653	3,908	961,941	59,699

The column for PFI included in PPE has been restated in this year following a review of the PFI schemes. This column is only a memo column, and this restatement has no impact on other figures in the Statement of Accounts.

Note 28 Information about Depreciation Methodologies

All depreciation applied is on a straight line basis using the following standard useful lives, unless the useful economic life is reviewed downwards by the external valuer;

- 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 with the remaining useful life given by the valuers. Land is not depreciated;
- Vehicles, Plant etc. These are depreciated over a standard period of 5 years. The only exception being services of buildings which are depreciated on the remaining useful life given by the valuers;
- Community Assets, Assets under Construction and Non Operational Assets. These are not depreciated.
- Infrastructure. These are depreciated over a useful life of 60 years.

The total depreciation charged to tangible Property Plant and Equipment fixed assets for 2012/2013 is £37,435,879.

Note 29 Capital Expenditure and Capital Financing

Below is the financing of the year's capital expenditure on fixed assets and revenue expenditure funded from capital under statute. This shows the Council's overall capital financing requirement for General Fund and HRA – the underlying amount of borrowing the Council has incurred on its capital investment. In 2011/2012 there is the additional amount of capital expenditure in relation to the HRA Self Financing Settlement.

	31 March 2013		31 March 2012	
	£000	£000	£000	£000
Opening Capital Financing Requirement		461,013		320,428
Capital Investment				
Plant Property & equipment Assets	55,487		71,414	
Plant Property & equipment PFI Assets	7,451		0	
Investment Properties	20		278	
Intangible assets	1,346		686	
HRA self financing Settlement	0		118,810	
Revenue Expenditure Funded from Capital under Statute	15,027		23,449	
		79,331		214,637
Sources of Finance				
Government Grants and Other Contributions	(40,490)		(53,081)	
New PFI scheme	(7,451)		0	
Capital Receipts	(10,321)		(5,597)	
Transfer from Capital Reserve	0		0	
Assets purchased through Revenue	(4,848)		(3,149)	
Minimum Revenue Provision	(13,065)		(10,857)	
Voluntary Revenue Provision	(556)		(418)	
Minimum Revenue Provision - PFI Schemes	(981)		(931)	
Minimum Revenue Provision - Finance leases	(16)		(19)	
		(77,728)		(74,052)
Closing Capital Financing Requirement		462,616		461,013
Explanation of Movements in the Year				
Increase / (decrease) in underlying need to borrow		1,605		21,775
HRA self financing Settlement		0		118,810
Increase / (decrease) in Capital Financing Requirement		1,605		140,585

Note 30 Fixed Asset Valuation

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

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

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

The revaluation exercise undertaken during 2010/2011 comprised the vast majority of all the council's Property assets (excluding the Farms valuation). 2012/2013 is the second year of the rolling programme of assets to be revalued. The assets revalued during 2012/2013 include Primary Schools as well as the Investment Estate and any new assets acquired during 2012/2013. All other assets will be revalued over the coming years as part of the rolling programme but have been revalued within the maximum 5 year rolling programme as dictated in the code of practice. The Council is not aware of any material change in the value of the remaining assets that were not revalued in 2012/2013.

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

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Assets under Construction	Surplus Assets	Total Property, and Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost		14,018	34,448	256,371	6,316	24,844	2,375	338,372
Valued at current value in:								
2012/2013	139,103	81,527	15,877	265				236,772
2011/2012	58,117	70,048	19,795		41		980	148,981
2010/2011		127,808						127,808
2009/2010		56,312						56,312
2008/2009	3,861	8,073						11,934
Book Value at 31 March 2013	201,081	357,786	70,120	256,636	6,357	24,844	3,355	920,179

Schools Assets

In line with the new IFRS and the previous SORP guidance, the Council has reviewed the treatment of schools assets in the statement of accounts. The Council now only recognises Community School assets in the Balance Sheet. All property assets in relation to Foundation, Voluntary Controlled and Voluntary Aided schools were removed from the balance sheet in 2010/2011. During the year a number of schools have become Academy schools so their assets have been removed from the balance sheet. This is shown as a derecognition in the note for Property plant and equipment above.

Components and effect on depreciation

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

Components of assets were introduced during 2010/2011. The aim of this additional requirement is to disclose the major component parts of an asset and show the individual value of each component separately to build up the total value of the asset. For example if a lift or similar services of an asset are of a material size then they need to be shown separately.

In previous years the only requirement was for a valuer to give the total value of a building, not the individual value of the components that make up the building. In order to not split the assets down into too much detail, guidance from CIPFA recommends setting a de-minimis policy for the size of assets to be componentised and the size of the individual components.

In order to meet these new requirements of the code, Wiltshire Council commissioned GVA Grimley as part of the valuations of assets exercise to also componentise Wiltshire's assets into their constituent parts. A de-minimis policy was set where the value of an asset must be over £2 million to be separated into its components.

Therefore since 2010/2011 all assets with a value over £2 million have been split into the following components and disclosed in the balance sheet and fixed assets notes;

- Structure – the fabric of the building
- Services – e.g. Lifts and other electrical or other services
- Fittings – internal fittings, Kitchens, doors etc
- Externals – landscaping, car parking etc

In addition all the remaining useful lives were reassessed by the external valuers. The result of this has meant we are now showing services separately from the structure within the plant and equipment, and services typically have a considerably shorter remaining useful life than the structure of the building. This has shown some significant increases in the overall depreciation charge since 2010/2011, but has no impact on the bottom line of the General Fund.

Note 31 Impairment Losses

As part of the valuation process, reductions in the value of our assets (where there have previously not been upward valuations) are charged as impairment losses charged to Property, Plant and Equipment. These are detailed by asset class in note 27. During 2012/2013 as part of the revaluation of all newly refurbished assets, the new County Hall refurbishment has been valued downwards. This is covered in more detail in note 11

Note 32 Capitalisation of Borrowing Costs

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

Note 33 Construction Contracts

The Council is not constructing any assets on behalf of other bodies. Below is a list of some of the larger project areas that are currently being undertaken by contractors building assets for the council. The figures below give the outstanding remaining costs of the contracts/agreements.

Description	2012/2013 £000	2011/2012 £000
Campus and operational delivery schemes	11,474	6,920
Highways	16,635	9,000
Sarum Academy	4,570	0
Other School construction projects	3,365	1,647
HRA - Refurbishment of Council Stock	3,049	0
Buildings Repair & Maintenance Programme	562	0
Oil to Biomass Schemes	523	0
Wellington Academy	0	426
Salisbury Exeter house special school	0	3,033
Total	40,178	21,026

Note 34 Heritage Assets

Heritage assets are a new classification of assets that have been recorded separately on the balance sheet since the 2011/2012 Statement of Accounts. These assets can be disclosed in a note to the accounts only if the cost of obtaining a valuation exceeds the benefit to the users of the accounts.

The definition of Heritage assets are assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Typical examples of Heritage assets would include works of art, statues, archaeological sites, military or scientific equipment. Historical buildings kept solely for their historical purpose would also count as heritage assets unless they were being used for operational purposes.

Unlike many other authorities Wiltshire Council does not have extensive museum collections as most of the museums in the county are owned by other bodies. Therefore the Council does not have a significant collection of art or other antiquities that need to be disclosed on the balance sheet with a value.

The items that have been identified as heritage assets held by Wiltshire Council are disclosed below as required by the code.

White horse near Westbury

The White Horse in Westbury, a chalk cutting in the hill above Westbury has been in existence for over three hundred years and is owned and maintained by the Council and is kept for historical purposes. As it is not possible to remove or sell the asset a value has not been obtained. As it is such a specialised asset it would not be possible or relevant to put a value on this asset. Therefore this asset has been disclosed in this note only.

East Grafton Wilton Windmill

This windmill, built in 1821, is held for historic purposes being managed by the Wilton Windmill Society. As a specialised grade II listed building with a major need for ongoing repairs it is felt that it would have minimal value and the cost of obtaining the valuation would far exceed the benefit to the users. Therefore this asset has been disclosed in this note only.

Village Lock ups

Village lock-ups are historic buildings that were used for the temporary detention of people in England and Wales. They were often used for the confinement of drunks who were usually released the next day or to hold people being brought before the local magistrate. A typical village lock-up is a small structure with a single door and a narrow slit window or opening. Most lock-ups feature a dome or spire shaped roof and are commonly built from brick, large stones or timber. The village lock-up is found in a variety of shapes often round or polygonal in plan, usually freestanding but some are attached to or incorporated in other buildings. Variations in design, materials and appearance do occur although they were all built to perform the same function. A number of these lock ups remain in various towns across Wiltshire. Many of these are owned and maintained by Wiltshire Council and as such remain part of the Heritage Assets of the County. No formal valuation has been obtained for these sites as the costs of obtaining one would outweigh the benefits of doing so, and it is felt that they would not have any material value due to their size, condition and specialisation.

County Hall Members Rooms Art

There is a small collection of items formally held in the Members' rooms at County Hall. These include various portraits and landscapes, as well as a stuffed Bustard in a stand. These are not on public display but are kept for artistic reasons. These have been valued for insurance purposes in the past with values individually not exceeding £1,500 per item. The total value of these items is not material, nor is there a benefit to the user of the accounts in obtaining updated valuations. Therefore these items have been disclosed in this note only.

Other items of Historical Interest

There are a small number of other art works in the council including; a modern art piece (the Leaf) in Bourne Hill Salisbury, a newly commissioned giant painted Bustard (named Custard) held outside the new Library in Trowbridge; various statues in parks and open spaces across the county. These items have been investigated and it is felt the cost of obtaining valuations far exceeds the benefit to the users in all these cases. Therefore these items are disclosed in this note only.

Note 35 Leases**Finance leases**

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

A summary of the position and a breakdown of the rentals paid in 2012/2013 and future obligations in respect of finance leases are listed below:

Future finance lease payments	Principal £000
Amounts payable in 2013/14	13
Amounts payable between 2014/15 & 2017/18	0
Amounts payable in 2018/19 and after	0
	13
Balance sheet value	
Plant & equipment	13

Finance Lease payments in 2012/13	Principal £000	Interest £000	Total £000
Land and Buildings	10	2	12

Operating leases

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

Operating Lease payments in 2012/13

Plant, vehicles and equipment

2012/2013
£000

869

Operating lease payments due in future years

Amount due in 2013/2014

Amounts due in between 2014/2015 and 2018/2019

Amounts due after 2019/2020

2012/2013
£000

570

351

0

921

Asset Class

Plant, vehicles and equipment

921

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 36 Long Term Contracts including Private Financing Initiatives (PFI)

The total amount held in long term contracts (including PFIs) is in the following table.

	North Wilts Schools PFI £000	Monkton Park Former PFI £000	Housing PFI £000	Total Long term contracts £000
Balance outstanding at 1 April 2012	30,353	10,144	0	40,497
Payments during the year to reduce capital liability	(662)	(320)	0	(982)
Newly acquired PFI housing contract			7,451	7,451
Other adjustments		(1,498)		(1,498)
Liability outstanding 31 March 2013	29,691	8,326	7,451	45,468

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. WHEP are responsible for maintaining and operating the facilities for 30 years from the date the first school became operational in March 2002.

Accounting treatment

The Accounting treatment in 2012/2013 follows the same process as in 2010/2011, i.e. to reflect the PFI as an on balance sheet PFI.

In 2012/2013 as in previous years, an estimate of the amount of the element of PFI payments that relates to repaying the finance liability has been made and taken from the net cost of services. In order to mitigate the effect of this on the general fund balances an equal charge for the additional Minimum Revenue Provision incurred has been made.

Funding

The funding for the annual PFI payment comes from the Council's own resources and a special government grant called a PFI credit. Over the life of the PFI project, the Council will receive PFI credits of £107 million (these relate to the main school buildings only not the sixth form units), which are credited to the revenue account in the year that they are received.

PFI Smoothing Fund Earmarked Reserve

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

Income and Expenditure

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

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

As at 31 March 2013 payments totalling £55.3 million have been made to the PFI contractor. The future estimated payments the Council will make under the contract are as follows:

Period	Liability	Interest	Service charges	2012/2013 Total	2011/2012 Total
	£000	£000	£000	£000	£000
Within 1-5 years	4,191	8,748	16,130	29,069	28,138
Within 6-10 years	6,158	6,787	18,249	31,194	30,174
Within 11-15 years	9,049	3,903	20,647	33,599	32,478
Within 16-20 years	10,212	469	18,141	28,822	35,086
Within 21-25 years				0	0
Total	29,610	19,907	73,167	122,684	125,876

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

Monkton Park Offices Former PFI Scheme**Introduction**

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

Accounting treatment

The Accounting treatment in 2012/2013 follows the same process as in 2010/2011, i.e. to reflect the PFI as an on balance sheet PFI.

As the full PFI contract was terminated in January 2011, only the loan associated with the capital and interest cost of building Monkton Park still has to be repaid to the Bank rather than to the former PFI joint vehicle.

Income and Expenditure

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

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

Period			2012/2013	2011/2012
	Liability £000	Interest £000	Total £000	Total £000
Within 1-5 years	1,942	4,963	6,905	6,540
Within 6-10 years	2,660	5,540	8,200	7,767
Within 11-15 years	2,822	6,919	9,741	9,225
Within 16-20 years	0	0	0	4,018
Within 21-25 years	0	0	0	0
Total	7,424	17,422	24,846	27,550

New Housing PFI Scheme**Introduction**

A total of 242 units are planned for the new housing PFI scheme at sites across the county. As at 31 March 2013 a total of 69 units have so far been completed with tenants now in residence. The remaining units are planned to be opened over the coming years.

Accounting Treatment

As the scheme is not fully completed but 69 units out of the planned 242 are in use, the assets for the 69 units has been added to the balance sheet with an associated liability. These 69 units have been revalued as part of the external revaluation process. The asset values for the remaining 173 units will be added to the balance sheet as they come online with associated liabilities.

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. The scheme has only just come online and only part of the houses are tenanted, so no payments were made prior to 2012/2013. The total unitary payment paid for the 69 houses during 2012/2013 is £0.459 million.

The funding of the unitary payment will come from a government grant (the PFI credits referred to above), as well as a Council contribution.

The future estimated payments the Council will make under the contract are as follows:

Period	2012/2013		2011/2012	
	Liability £000	Interest £000	Total £000	Total £000
Within 1-5 years	938	1,868	2,806	0
Within 6-10 years	1,446	1,381	2,828	0
Within 11-15 years	1,886	966	2,852	0
Within 16-20 years	2,504	376	2,880	0
Within 21-25 years	676	0	676	0
Total	7,451	4,592	12,043	0

Note 37 Investment Property

Investment Properties are assets that are held solely to earn rentals or for capital appreciation. The following items of income and expense have been accounted for in relation to running the investment property estate. These items are shown in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2012/2013 £000	2011/2012 £000
Rental income from investment property	(2,417)	(2,097)
Direct operating expenses arising from investment properties	598	552
Net (Gain)/ Loss	(1,819)	(1,545)

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

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

	2012/2013 £000	2011/2012 £000
Balance at start of the year	29,690	32,692
Additions:		
Purchases		
Construction		
Subsequent expenditure	20	278
Disposals		0
Gains from fair value adjustments	492	1,362
Losses from fair value adjustments	(4,766)	(2,996)
Transfers:		
to/from Inventories		
to/from Property, Plant and Equipment	0	(1,646)
Other changes		
Balance at end of the year	25,436	29,690

Note 38 Intangible Assets

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

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

	Carrying amount		Remaining Amortisation Period
	31 March 2013 £000	31 March 2012 £000	
SAP Finance/HR/Payroll system	2,316	4,631	1 year
Workplace transformation IT software	1,645	1,175	4 - 5 years
Other items of software	1,196	923	1 - 5 years
Total	5,157	6,729	

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £2.918m charged to revenue in 2012/2013 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2012/2013 Purchased Software Licences £000	2011/2012 Purchased Software Licences £000
Gross carrying amounts	16,062	15,132
Accumulated amortisation	(9,333)	(6,539)
Net Carrying amount	6,729	8,593
Additions:		
Purchases	1,346	686
Amortisation for the period	(2,918)	(2,794)
Other changes	0	244
Net carrying amount at end of year	5,157	6,729
Comprising:		
Gross carrying amounts	17,408	16,062
Accumulated amortisation	(12,251)	(9,333)
	5,157	6,729

Note 39 Assets Held for Sale

The Council held the following amounts as assets held for sale as at 31 March 2013. The definition of an asset held for sale is one that is readily available for sale, the planned sale will occur within 12 months and that the property is being actively marketed. A number of individual assets met this criteria, including Browfort offices in Devizes, as well as a number of depots and farm land. The council has an ambitious asset disposal programme but the majority of the current planned disposals are anticipated to be realised during 2014/2015 or later in the programme, therefore the balance below is relatively small, compared to the actual number of planned sales over the coming few years. The council does also recognise Surplus assets within Property Plant & Equipment where assets are not in use but are not currently planned to be disposed of.

	2012/2013 £000	2011/2012 £000
Balance at start of the year	2,480	0
Assets newly classified as held for sale	4,463	2,480
Depreciation	(67)	0
Assets Sold	(2,413)	0
Balance at end of the year	4,463	2,480

OTHER NOTES TO BALANCE SHEET

Note 40 Long Term Debtors

	2012/2013 £000	2011/2012 £000
Mortgages	1,223	1,334
Long Term Loans to Staff	28	22
Other Long Term Loans	1,182	850
Total Long Term Debtors	2,433	2,206

Note 41 Short Term Debtors

These represent sums owed to the Council for supplies and services provided before 31 March 2013 but not received at that date.

	2012/2013 £000	2011/2012 £000
Other Local Authorities	4,463	3,403
Government Departments	11,220	17,478
NHS Bodies	2,596	2,749
Business Rates and Local Taxation	10,858	10,764
Tenants	1,164	1,223
Sundry Debtors	22,454	20,926
Payments in Advance	27,534	12,504
Total Debtors	80,289	69,047
Less: provision for bad debts		
General Fund debtors	(5,902)	(5,347)
Housing Rent arrears	(1,096)	(816)
Council Tax arrears	(2,498)	(2,326)
Total Bad Debt provisions	(9,496)	(8,489)
Net Debtors	70,793	60,558

Note 42 Cash and Cash Equivalent

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

	2012/2013 £000	2011/2012 £000
Cash & Bank	105	183
PFI Sinking Fund	0	1,499
Schools' bank accounts	15,821	23,973
	15,926	25,655

Note 43 Short Term Creditors

These represent sums owed by the Council for supplies and services received before 31 March 2013 but not paid for at that date, or provisions created in accordance with the accounting policies.

	2012/2013 £000	2011/2012 £000
Other Local Authorities	(2,613)	(2,289)
Government Departments	(7,864)	(7,212)
NHS Bodies	(1,601)	(1,874)
Sundry Creditors	(58,733)	(69,259)
Receipts in Advance	(11,026)	(9,211)
Accumulated Absences	(13,430)	(24,926)
	(95,267)	(114,771)

Note 44 Bank Overdraft

The Council main bank accounts show a cash overdrawn position of £19.214 million at 31 March 2013 (31 March 2012: £4.863 million). This is largely due to un-presented cheques and BACS payments and uncleared cheques deposited on 31 March 2013 as well as other timing differences. The reason for the significant movement between years is due to the April 2013 cheque advance to schools being paid on 27 March 2013 in order to ensure the funds are in the schools bank accounts on 2 April 2013. The payment has been accounted for as a payment in advance and forms part of this balance on the balance sheet at 31 March 2013.

Note 45 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.

	Legal Claims	Insurance Claims	Pay Reform	Termination Benefits	Land Charges	Carbon Reduction	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2012	(3,417)	(242)	0	(1,024)	(400)	(525)	(976)	(6,584)
Additional provisions made in 2012/2013	(312)	(476)	0	(450)	0	(258)	(337)	(1,833)
Amounts Used in 2012/2013	350	35	0	521	0	398	263	1,567
Unused amounts reversed in 2012/2013	773	78	0	503	0	0	76	1,430
Unwinding of discounting in 2012/2013	0	0	0	0	0	0	0	0
Balance at 31 March 2013	(2,606)	(605)	0	(450)	(400)	(385)	(974)	(5,420)

Legal Claims

The Council has made provisions in respect of legal claims which may become payable by the Council depending on the outcome of a small number of individual cases totalling £2.606 million. In order not to prejudice seriously the Council's position in these cases any further information has been withheld from this publication. It is currently expected that all of these claims will be settled during the 2013/2014 financial year.

Insurance Claims

An insurance provision is accounted for when it is probable that a cost will be incurred and a reliable estimate of the cost can be made. The insurance provision for 2012/2013 is made up of 16 claims totalling £0.605 million. The provision levels are set in the following ways:

- Property Damage. The estimated cost of reinstatement (often supported by an independent contractors repair/replacement estimate) or the actual cost based on replacement/repair invoices presented.
- Personal Injury. Based on the insurers' own reserve calculation for the claim. Where insurers are not handling the claim, a 'flat' figure of £10,000 is used.

The 16 claims consisted of a mixture of Public and Employers Liability claims and own Property claims.

The Council self insures, with the Council meeting the first £0.100 million of each employers and public liability claim and between £0.100 million and £0.250 million for own property claims. There are other risks the Council does not insure against and examples of these include computer breakdown and loss of computer data, and employment practices. It is currently expected that the all of these claims will be settled during 2013/2014.

Insurance claims where liability has yet to be established are detailed in note 58.

Termination Benefits

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

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

As at 31 March 2013 the Council was demonstrably committed to terminating the employment of 28 employees at an estimated cost of £0.450 million. It is expected that all cases will be resolved during the first half of the 2013/2014 financial year.

Land Charges

Central Government instructed in July 2010 that as of August 2010, Local Authorities will no longer be allowed to charge a fee for personal searches of the local land charges register as charging a fee does not comply with the Environmental Information Regulations 2004. Where a fee has been charged from January 2005 (when the regulations came into effect) onwards, refunds may be liable, depending on each claims individual circumstances. Financial assistance in the form of a Central Government grant is intended to ease the burden of the potential liabilities that Wiltshire Council and other Local Authorities may incur. Wiltshire Council has estimated the liability to be £400,000.

Carbon Reduction

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The estimated liability was calculated as £385,104.

Other Provisions

All other provisions are individually insignificant and are expected to be used during 2013/2014.

Note 46 Borrowing

An analysis of loans by maturity is as follows:

	2012/2013 £000	2011/2012 £000
Short Term Borrowing		
Maturing within 1 year	(2,237)	(2,246)
Long Term Borrowing		
Maturing in 1 to 2 years	(12,017)	(17)
Maturing in 2 to 5 years	(34,015)	(36,032)
Maturing in 5 to 10 years	(34,810)	(36,810)
Maturing in more than 10 years	(283,058)	(291,002)
Total Maturing over 1 year	(363,900)	(363,861)
Total Borrowing	(366,137)	(366,107)

The total borrowing can be further analysed by lender category:

	2012/2013 £000	2011/2012 £000
Lenders		
Public Works Loans Board	(304,123)	(304,146)
Money Market	(62,014)	(61,961)
	(366,137)	(366,107)

Note 47 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

Reserve	Note	2012/2013 £000	2011/2012 £000
General Fund		(12,642)	(14,145)
Earmarked Reserves	48	(28,161)	(27,549)
Housing Revenue Account Balance		(14,229)	(12,612)
Major Repairs Reserve	49	(5,694)	(791)
Usable Capital Receipts Reserve	50	(4,372)	(1,390)
Capital Grants and Contributions		(24,934)	(18,612)
Unapplied Account			
Total Unusable Reserves		(90,032)	(75,099)

Note 48 Transfers to/ from Earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/2013.

Reserve	2011/2012 £000	Movement in 2012/2013 £000	2012/2013 £000
PFI Reserve	(3,151)	(1,510)	(4,661)
Insurance Reserve	(4,450)	0	(4,450)
Locally Managed Schools' Balances - to be spent on educational services	(13,153)	3,885	(9,268)
Office Work Place Transformation Reserve	(228)	0	(228)
Sickness Insurance Scheme	0	0	0
Free School Meals Reserve	0	0	0
Libraries Operating Reserves	(51)	51	0
Housing Preferred Development Partners	(42)	0	(42)
Criminal Records Bureau System Reserve	(8)	0	(8)
Elections Reserve	(400)	(200)	(600)
Street Lighting Reserve	(100)	0	(100)
Area Board Reserve	(583)	548	(35)
Revenue Grants Earmarked Reserve	(4,530)	(600)	(5,130)
Occupational Health System Reserve	(20)	20	0
Energy Efficiency Reserve	(180)	141	(39)
Digital Inclusion	(153)	(30)	(183)
Improving Safeguarding Reserve	(500)	500	0
PFI Housing Scheme Earmarked Reserve	0	(1,588)	(1,588)
Transformation Reserve	0	(1,336)	(1,336)
Action 4 Wiltshire Reserve	0	(180)	(180)
YPSS Continuing Service Reserve	0	(313)	(313)
Total	(27,549)	(612)	(28,161)

Note 49 Major Repairs Reserve

The Major Repairs reserve was a requirement under the Accounts and Audit Regulations to transfer into it a sum not less than the Major Repairs Allowance, which was an element of the former HRA subsidy. Now that the HRA is self financing, the reserve is no longer a formal requirement but can be used as previously to earmark funds to be spent for capital expenditure on Housing Revenue Account assets.

	2012/2013 £000	2011/2012 £000
Transfer to Capital	1,074	3,998
HRA Depreciation	(10,708)	(18,327)
Transfer to HRA	4,731	14,681
Movement in Year	<u>(4,903)</u>	<u>352</u>
Balance at 1 April	(791)	(1,143)
Balance at 31 March	(5,694)	(791)

For further information see note 31.

Note 50 Usable Capital Receipts Reserve

	2012/2013 £000 £000		2011/2012 £000
Amounts Receivable in year			
- disposal of land and buildings	(12,922)		(6,768)
- Other capital receipts - mortgages	(233)		
- Other capital receipts	(148)		(219)
- Housing Pooled Capital Receipt	<u>(648)</u>		(489)
		(13,951)	(7,476)
Amounts applied to finance new capital investment in year			
- capital receipts utilised	10,321		5,597
- transfer to I&E equal to contribution to Housing Pooled Capital receipt	<u>648</u>		489
		10,969	6,086
Movement in Year		(2,982)	(1,390)
Balance at 1 April		(1,390)	0
Balance at 31 March		(4,372)	(1,390)

Note 51 Unusable Reserves

Reserve	Note	2012/2013 £000	2011/2012 £000
Revaluation Reserve	52	(132,802)	(144,894)
Capital Adjustment Account	53	(342,879)	(385,446)
Financial Instruments		928	871
Adjustment Account			
Deferred capital receipts		(1,340)	(1,458)
Pensions Reserve	54	464,895	377,859
Collection Fund Adjustment Account		(1,346)	(2,169)
Accumulated Absences Account		13,430	24,926
Total Unusable Reserves		<u>886</u>	<u>(130,311)</u>

Note 52 Revaluation Reserve

The balance of this account represents the revaluation gains (as certified by its external valuers GVA Grimley) made by the Council arising from increases in the value of its Property, Plant and Equipment assets. The reserve only contains revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains prior to this have been consolidated into the balance on the Capital Adjustment account.

Revaluation Reserve	2012/2013		2011/2012
	£000	£000	£000
Revised balance at 1 April		(144,894)	(132,747)
Upward revaluation of assets	(12,137)		(27,312)
Downward revaluations not charged to surplus/ deficit on the provision of services	7,760		3,558
Surplus or deficit on revaluation of non-current assets not posted to surplus/ deficit on the provision of services		(149,271)	(156,501)
Difference between fair value depreciation and historic cost depreciation		3,189	2,981
Accumulated gains on assets sold or scrapped		13,280	8,626
Balance at 31 March		(132,802)	(144,894)

Note 53 Capital Adjustment Account

The Capital Adjustment Account reflects the timing differences arising from the different arrangements for accounting for the financing of the acquisition of assets and the consumption of those assets.

This account shows the reversal of amounts relating to Capital that are charged to the Comprehensive Income and Expenditure Statement. It also shows the financing of capital expenditure and the reversal of sums charged to the Comprehensive Income and Expenditure Statement that have been set aside to repay debt.

	2012/2013		2011/2012
	£000	£000	£000
Revised balance at 1 April		(385,446)	(571,974)
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure account			
- charges for depreciation of non-current assets		37,503	44,217
- charges for impairment of plant, property and equipment		26,108	13,774
- charges for impairment of investment properties		4,766	2,996
- gains in fair value on Investment properties		(492)	(1,362)
- amortisation of intangible assets		2,918	2,794
- revenue expenditure funded from capital under statute		15,027	23,449
- disposals		43,483	67,507
- HRA Self Financing settlement		0	118,810
Adjusting amounts written out of Revaluation Reserve		(16,469)	(11,606)
Net written out amount of the cost of non-current assets consumed in the year		(272,602)	(311,395)
Capital financing applied in the year			
-Use of capital receipts reserve to finance new capital expenditure		(10,321)	(5,597)
-Use of major repairs reserve to finance new capital expenditure		(1,074)	(3,998)
-capital grants and contributions credited to the comprehensive income and expenditure statement applied to capital financing		(30,279)	(21,371)
-application of grants to capital financing from capital grants unapplied account		(9,137)	(27,711)
-statutory provision for the financing of capital investment charged against the general fund and HRA balances		(14,618)	(12,225)
-capital expenditure charged against the general fund and HRA balances		(4,848)	(3,149)
Balance at 31 March		(342,879)	(385,446)

Note 54 Movement in Pension Surplus/ Deficit during the year

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

	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Opening Defined Benefit Obligation	996,617	924,625
Current service cost	22,466	23,060
Interest Cost	47,325	49,676
Contributions by Members	7,598	8,163
Actuarial (gains)/losses	119,446	50,870
Past Service Costs/ (Gains)	245	68
Losses/ Gains on Curtailments	890	1,128
Liabilities Extinguished on Settlements	(9,599)	(22,508)
Liabilities Assumed in a Business Combination	0	0
Estimated Unfunded Benefits Paid	(3,482)	(3,791)
Estimated Benefits Paid	(36,436)	(34,674)
Closing Defined Benefit Obligation (A)	1,145,070	996,617

	Year Ended 31 March 2013 £000	Year Ended 31 March 2012 £000
Opening Fair Value of Employer Assets	618,758	613,202
Expected Return on Assets	33,693	40,188
Contributions by Members	7,598	8,163
Contributions by the Employer	25,568	26,239
Contributions in respect of Unfunded Benefits	3,482	3,791
Actuarial gains/(losses)	37,740	(18,250)
Assets Distributed on Settlements	(6,746)	(16,110)
Assets Acquired in a Business Combination	0	0
Unfunded Benefits Paid	(3,482)	(3,791)
Benefits Paid	(36,436)	(34,674)
Closing Fair Value of Employer Assets (B)	680,175	618,758
TOTAL MOVEMENT IN DEFICIT (A-B)	464,895	377,859

NOTES TO THE CASHFLOW STATEMENT

Note 55 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2012/2013 £000	2011/2012 £000
Interest Received	(1,068)	(1,452)
Interest Payable	13,881	10,667

Note 56 Cash Flow Investing Activities

	2012/2013 £000	2011/2012 £000
Purchase of Property, plant and equipment, investment property and intangible assets	57,807	64,528
Investments - Purchase of and deposits made	633,464	680,109
Investments - Sale of and returning of deposits made	(615,803)	(712,120)
Other payments for investing activities	0	0
Proceeds from sale of property, plant and equipment, investment property and intangible assets	(14,016)	(7,474)
Other receipts from investing activities	(45,738)	(41,843)
Net Cash flows from investing activities	15,714	(16,800)

Note 57 Cash Flow Financing Activities

	2012/2013 £000	2011/2012 £000
Cash Receipts of short and long term borrowing	(30)	(118,910)
Repayments of short and long term borrowing	0	0
Other payments for financing activities	0	0
Net cash flows from financing activities	(30)	(118,910)

OTHER NOTES**Note 58 Contingent Liabilities**

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

Termination Benefits

Due to management restructuring a number of employees will have been placed at risk and offered quotes for voluntary redundancy at the time of the balance sheet date without the agreement being reached that the redundancy will be granted. This creates a contingent liability for the Council. The estimated maximum exposure is £1.153m but the actual figure is likely to be significantly lower than this.

Insurance Claims

As at 31 March 2013 there are 16 insurance claims where liability has yet to be established. The estimated value of these claims should the Council be found liable in every instance is £0.704 million

Note 59 Contingent Assets

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

The only contingent asset to note for the year ended 31 March 2013 relates to VAT.

VAT – Off-Street Car Parking

The Council is pursuing a possible retrospective claim for reimbursement from HM Revenues and Customs (HMRC) for 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. Although the First Tier (Tax) Tribunal found in favour of HMRC, the Isle of Wight Council (and Others) has submitted an appeal against this decision. The case will now go to the Upper Tribunal (Tax and Chancery) although no date has yet been set.

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 £16.5million.

Note 60 Pension Schemes Accounted for as defined contribution Schemes**Teachers pension scheme**

In 2012/2013 the Council paid £16.27 million to the Department for Education and Skills in respect of teachers' pension costs which represents 14.1% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2012/2013 these amounted to £2.34 million.

Note 61 Defined benefit Pension Schemes

Participation in Pensions Schemes

As part of the terms and conditions of employment for officers and other employees, the Council offers retirement benefits. Although these will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

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

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

In 2012/2013, pension costs have been charged to the Comprehensive Income and Expenditure Statement on the basis required by IAS 19, contributions payable to the Wiltshire Council pension scheme are based on an actuarial valuation at 31 March 2013.

The estimated employer contributions for the year to 31 March 2014 will be approximately £24.835 million.

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

	Year to 31 March 2013	Year to 31 March 2013	Year to 31 March 2012	Year to 31 March 2012
	£000	% of Payroll	£000	% of Payroll
Current Service Costs	22,466	18.9%	23,060	18.4%
Interest Costs	47,325	39.8%	49,676	39.7%
Expected return on Employer Assets	(33,693)	(28.3%)	(40,188)	(32.1%)
Past Service Costs	245	0.2%	68	0.1%
Losses/(Gains) on Curtailments and Settlements	(1,963)	(1.7%)	(5,270)	(4.2%)
Total Recognised in Profit and Loss	34,380	28.9%	27,346	21.9%
Actual Return on Plan Assets	79,610		21,938	

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

Assets and liabilities in relation to Retirement Benefits

The underlying assets and liabilities for the retirement benefits attributable to the Council as at 31 March 2013 are as follows:

Local Government Pension Scheme	31 March 2013	31 March 2012
	£000	£000
Fair Value of Employer Assets	680,175	618,758
Present Value of Funded Liabilities	(1,080,964)	(938,200)
Net (Under)/Overfunding in Funded Plans	(400,789)	(319,442)
Present value of Unfunded Liabilities	(64,106)	(58,417)
Unrecognised Past Service Cost	0	0
Net Asset/(Liability)	(464,895)	(377,859)
Amount on balance sheet		
Liability	(464,895)	(377,859)
Asset	0	0
Liability Amount in Balance Sheet	(464,895)	(377,859)

A more detailed breakdown is included in note 24c.

The Liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Statutory arrangements for the funding of the deficit mean that the financial position of the Council 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 2013	31 March 2012
	% per annum	% per annum
Inflation/ Pension Increase Rate	2.8%	2.5%
Salary Increase Rate	5.1%	4.8%
Expected Return on Assets	4.5%	5.5%
Discount Rate	4.5%	4.8%

Assumptions on Mortality Rates

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

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

Year Ended	Prospective Pensioners	Pensioners
31 March 2012	Year of birth, medium cohort and 1% pa minimum improvements from 2010	Year of birth, medium cohort and 1% pa minimum improvements from 2010

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 2013	31 March 2012	31 March 2013	31 March 2012
	% per annum	% per annum	£000	£000
Equities	4.5%	6.2%	489,726	414,569
Bonds	4.5%	4.0%	102,026	111,376
Property	4.5%	4.4%	68,018	68,063
Cash	4.5%	3.5%	20,405	24,750
Total			680,175	618,758

Amount to be charged to operating profit

Year Ended	31 March 2013	
	£000	% of Payroll
Projected Current Service Cost	27,790	23.7%
Interest on Obligation	51,421	43.9%
Expected Return on Plan Assets	(30,510)	(26.1%)
Past Service Cost	0	0.0%
Losses/ (Gains) on Curtailments and Settlements	0	0.0%
Total	48,701	41.5%

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 2013	Year Ended 31 March 2012	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2009
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	680,175	618,758	613,202	558,637	286,896
Present Value of Defined Benefit Obligation	(1,145,070)	(996,617)	(924,626)	(1,123,579)	(482,981)
Surplus/ (Deficit)	(464,895)	(377,859)	(311,424)	(564,942)	(196,085)
Experience Gains/ (Losses) on Assets	37,740	(18,250)	(1,082)	113,009	(105,761)
Experience Gains/ (Losses) on Liabilities	(2,206)	(21,565)	48,179	(4,274)	1,503

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

	Year Ended 31 March 2013	Year Ended 31 March 2012	Year Ended 31 March 2011	Year Ended 31 March 2010	Year Ended 31 March 2009
	£000	£000	£000	£000	£000
Actuarial Gains/(Losses)	(81,706)	(69,120)	168,079	(256,864)	(62,047)
Increase/ (Decrease) in Irrecoverable Surplus from membership	0	0	0	0	0
Total Actuarial Gains/(Losses) recognised	(81,706)	(69,120)	168,079	(256,864)	(62,047)
Cumulative Actuarial Gains/(Losses)	(313,007)	(231,301)	(162,181)	(330,260)	(73,396)

Further information can be found in the Wiltshire Pension Fund annual report 2012/2013 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 62 Nature and Extent of risks arising from Financial Instruments

Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing
 - Its maximum and minimum exposures to fixed and variable rates
 - Its maximum and minimum exposures to the maturity structure of its debt
 - Its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

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

The Annual Treasury Management Strategy 2012/2013, which incorporates the prudential indicators was approved by the Council on 28 February 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/2013 was set at £541.3 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £531.3 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 40%, respectively, based on the Council's net debt.
- the maximum and minimum exposures to the maturity structure of debt were set at 15% and 0% for less than one year and one to two years; 45% and 0% for two to five years; 75% and 0% for five to ten years and 100% and 0% for in excess of 10 years, respectively.
- These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

The Annual Investment Strategy sets out the Council's investment policy, together with the minimum requirements for "high credit rating". The latest Treasury Management Strategy 2013/2014 was approved by the Council at its meeting on 26 February 2013 and is available on the Council's Website under committee papers relating to the Cabinet meeting on 12 February 2013, agenda item number 10 on pages 75-95 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, 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 Council's borrowing is undertaken through the Public Works Loans Board (PWLB), a Government organisation that lends to local authorities. Information, including regular updates, provided by treasury advisers enables the Council to manage and monitor forecast borrowing rates and to support decisions in respect of the restructuring of loans.

Exposure to Risk - Summary Data**Credit Risk**

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

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

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

The full Investment Strategy for 2012/2013 was approved by Full Council on 28 February 2012 and is available on the Council's website.

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £67.6 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2013 that this was likely to crystallise.

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

Country	Sovereign Rating	Credit Rating Category	Type of Institution	Duration	Investment Held %	Maximum Invested with Single Counterparty %
NA	NA	AAA - Max. £15 million	Money Market Funds (MMF)	0-2 Years	29.10	20.58
United Kingdom	AAA	F1/A - Max. £8 million	UK Banks	0-3 Months	11.60	11.60
United Kingdom	AAA	Government Backed - Max. £8m	UK Banks	0-1 Year	19.23	11.65
United Kingdom	AAA	F1/A+ - Max. £8 million	UK Building Societies	0-3 Months	11.60	11.60
Sweden	AAA	F1+/AA - Max. £8 million	Overseas Banks	0-3 Months	23.23	11.61
UK Subsidiary (Iceland)/Iceland	No Rating	No Rating	Overseas Banks	NA	5.24	5.24
					100.00	

The above table is based on credit ratings as at 31 March 2013 and includes investments with Icelandic banks, which were still outstanding, that did not have credit ratings at that date.

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

Investments in UK institutions, including one UK building society, make up nearly 43% of the Council's total outstanding investments at 31 March 2013, just under 28% invested overseas, the balance (approximately 29%) being held in money market funds. Any institutions, which, after 31 March 2013, 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 Council'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 Council 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 No. 7, May 2013 issued by CIPFA.

	Amount at 31 March 2013	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2013 %	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure at 31 March 2013
	A	B	C	(AxC)	
Deposits with banks and financial institutions	65,430,136	0	0	0	0
Bonds	0	0	0	0	0
Debtors	0	0	0	0	0

No credit limits were exceeded during the reporting period.

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

	31/03/2013 Debtors	31/03/2013 Investments	31/03/2013 Total
Less than three months	0	(22,247)	(22,247)
Three to six months	0	147,516	147,516
Six months to one year	0	966,015	966,015
More than one year	0	1,116,694	1,116,694
Total	0	2,207,978	2,207,978

The figure in the "Less than three months" category is a credit, which reflects (notional) accrued interest receivable in that period. There are no repayments expected during this period.

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

Liquidity Risk

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

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

At 31 March 2013 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, including the PWLB loans taken out for the HRA Self Financing Settlement, the overall average interest rate is 3.77%.

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	635,586	1,601,318	2,236,904	0.6%	4.429%
Between 1 and 2 Years	0	12,017,495	12,017,495	0.0%	4.429%
Between 2 and 5 Years	0	34,014,565	34,014,565	9.8%	3.357%
Between 6 and 10 Years	0	34,810,000	34,810,000	10.0%	2.553%
Between 11 and 15 Years	0	50,123,038	50,123,038	13.1%	3.005%
More than 15 Years	61,377,755	171,556,772	232,934,527	66.5%	3.304%
	62,013,341	304,123,188	366,136,529	100.0%	3.774%

The Council's policy is to limit the amount maturing in any one financial year to a maximum of 15%. Currently the maximum is 3.6% (£13 million in both 2052-2053 and 2053-2054).

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) in accordance with the CIPFA Code of Practice. On this basis, all current LOBOs fall within the "More than 15 Years" maturity period. Any accrued interest is, however, shown as payable within one year.

Refinancing and Maturity Risk

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

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

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

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

	Approved Minimum Limits	Approved Maximum Limits	Actual 31 March 2013		Actual 31 March 2012	
			£000s	%	£000s	%
Less than 1 Year	0%	15%	2,236.9	0.6%	2,245.7	7.8%
Between 1 and 2 Years	0%	15%	12,017.5	3.3%	16.7	3.8%
Between 2 and 5 Years	0%	45%	34,014.6	9.3%	36,032.1	15.6%
Between 5 and 10 Years	0%	75%	34,810.0	9.5%	36,810.0	10.1%
More than 10 Years	0%	100%	283,057.6	77.3%	291,002.1	62.7%
			366,136.6	100.0%	366,106.6	100.0%

Market Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and

forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Wiltshire Council is mainly exposed to interest rate risk (in terms of financial instruments, the Council has little or no exposure to equity risk, currency risk or commodity risk). At 31 March 2013 the Council held £67.6 million (including accrued interest, less impairment) in investments, at various interest rates. This comprised £66.5 million short term investments and £1.1 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 Council 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 2013 and the investments had matured prior to that date, interest taken to the Comprehensive Income and Expenditure Statement could have been less than the interest actually credited to the account. Of course, the opposite could have been true if interest rates had risen.

The fair value of the Council's long and short term investments has been calculated using the latest guidance (per LAAP 82 Update No. 7, May 2013) in respect of the expected repayments from Icelandic investments and market rates at 31 March 2013 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 31 March 2013 was 0.88%. If the average rate of interest had increased by 0.5% one month prior to 31 March 2013, the additional interest that could have been credited to the Comprehensive Income and Expenditure Statement and the Council would have been £28,000 "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 2013.

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

Foreign exchange risk - Under normal circumstances, the Council has no financial assets or liabilities denominated in foreign currencies and, therefore, has no exposure to loss arising from movements in exchange rates. However, currently the Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. As shown elsewhere in these financial statements, in October last year Wiltshire Council received part of the third repayment from the Winding-up Board of the failed Icelandic bank in three currencies, comprising GBP, Euros and US Dollars, which led to further exposure to fluctuations in foreign exchange rates. The foreign exchange loss (of £2,433) on conversion of the foreign currencies (Euros and USD) is shown in the Comprehensive Income and Expenditure Statement. In addition, a small part of the first repayment was paid in Icelandic Kronur (ISK) and is held in an interest bearing escrow account, due to the imposition of currency controls. The value of the deposits at 31 March 2013 were £24,093.30, including accrued interest. Under the International Accounting Standard 21 (IAS 21), the amount held has been translated using the exchange rate as at 31 March 2013 in accordance with the LAAP Bulletin 82 No. 7, May 2013 and, due to the movement in the exchange rate, an exchange gain of £1,595 has also been recognised in Comprehensive Income and Expenditure Statement, giving a net loss of £838.

Note 63 Fair Value

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- for loans from the PWLB and other loans payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures
- for loans receivable prevailing benchmark market rates have been used to provide the fair value
- no early repayment or impairment is recognised
- where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount

- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

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.

Class	Fair Value	Carrying Amount
Long Term Investments	1,116,694	1,116,694
Short Term Investments	66,583,288	66,521,420
Total Investments	67,699,982	67,638,114
Trade Debtors	0	0
Total Financial Assets	67,699,982	67,638,114

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 31 March 2013, 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 CIPFA Code of Practice 2012, at the PWLB's new borrowing rate as at 31 March 2013. There is an alternative valuation, as used by PWLB, being the premature repayment rate, which results in a different fair value. CIPFA Code of Practice 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	63,047,895	62,013,341
PWLB Loans	318,122,784*	304,123,187
Total Value	381,170,679	366,136,528
Trade Creditors	0	0
Bank Overdraft	0	0
Total Financial Liabilities	381,170,679	366,136,528

*The fair value of loans outstanding, based on premature repayment rate, is £358,305,782 (provided by PWLB).

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

Investments/Loans	Fair Value (at Discount/ Market Rate plus 1%)
Long Term Investments	1,116,694
Short term Investments	66,510,895
Total Investments Value	67,627,589
Trade Debtors	0
Total Financial Assets	67,627,589
Market Loans	52,291,822
PWLB Loans	283,175,550
Total Loans Value	335,467,372
Trade Creditors	0
Bank Overdraft	0
Total Financial Liabilities	335,467,372

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 2013). Where there is an increase in the discount rates this will increase discounts receivable and reduce premiums payable on early repayment of loans.

Note 64 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 (i.e. between 1 April 2012 and 31 March 2013) the Council has received three further interim dividends from the administrators of Heritable bank, bringing the total repayments (up to 31 March 2013) from Heritable to over £7 million. Two further repayments have also been received from the Winding-up Board of the former Landsbanki Islands hf bank, bringing total recoveries from Landsbanki to over £1.5 million. A proportion of the first repayment received in the previous financial year was paid in Icelandic Kronur (ISK), having a GBP equivalent value of approximately £23,000, which, due to currency restrictions, is currently being held in Iceland in an interest bearing escrow account. Given that this money is not readily convertible to known amounts of cash it cannot be regarded as a cash equivalent. The Council is, therefore, obligated to consider it to be a new short term investment in its own right, as per CIPFA guidance in LAAP 82 Update 6, and to show it as such in short term investments, including accrued interest, at the exchange rate applicable on 31 March 2013. The outstanding 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%	310,582	2,318,410	371,008
Heritable Bank (2)	24/09/2008	14/10/2008	3,000,000	6.00%	310,582	2,318,410	371,008
Heritable Bank (3)	25/09/2008	28/10/2008	2,000,000	6.00%	207,021	1,545,607	247,372
Heritable Bank (4)	07/09/2008	10/10/2008	1,000,000	5.42%	104,320	771,866	123,814
Landsbanki	04/06/2008	02/03/2009	3,000,000	6.10%	1,275,473	1,454,232	270,295

The impairment has been adjusted in 2012/2013 to reflect the latest available information from the relevant administrators, the Local Government Association and CIPFA as outlined below. The available information in respect of timings and payments to be made by the administrator is not definitive and it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank was a UK registered bank under English law. The company was placed in administration on 7 October 2008. Since the previous year's financial statements the Council has received three more interim dividends of principal totalling £842,240, bringing the total dividend paid to date to approximately 77% of the claim. Previous information regarding the estimates to be received from Heritable suggested that the total amount to be received would be between 86% and 90%. In view of this information, the LAAP recommends that the following payment schedule is used to estimate the recoverable amount at 31 March 2013. The schedule is

based on expected total dividends of 88% of the claim. Taking this into account, the following assumptions have been made in respect of the timing of recoveries:

Date	Repayment
July 2013	2.00%
January 2014	8.80%

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 2013:

Date	Repayment Percentage	(1)	(2)	(3)	(4)
July 2013	2.00%	60,118	60,118	40,072	20,107
January 2014	8.80%	264,521	264,521	176,318	88,470

Landsbanki Islands hf

Landsbanki was an Icelandic bank, placed into administration on 7 October 2008. The Council received its first repayment, in a 'basket' of three currencies (GBP, Euros, US Dollars (USD) in May and October last year. The total principal amounts received, following conversion, was £0.542 million. This brings the total amount received from the Winding-up Board of Landsbanki to just over £1.5 million. On conversion the amounts received in Euros and USD were subject to a foreign exchange loss, which is shown in the accounts. As part of the first repayment (in December 2011) there was an ISK element, which, on conversion at the time of the receipt, equated to approximately £23,000. Pending the withdrawal of the currency controls, this is still being held in Iceland in an escrow account and has been reclassified as a new investment and is shown in the accounts at its revalued amount, including accrued interest, as at 31 March 2013. The revaluation resulted in a small foreign exchange gain of £1,595, due to a movement in the ISK/£ exchange rate between the date of the last revaluation (31 March 2012) and the end of the financial year 2012/2013. In accordance with the International Accounting Standard (IAS 21, paragraph 23a) the gain in ISK has been translated at the closing rate (i.e. the spot exchange rate at 31 March 2013 as per guidance contained within LAAP 82 Update No. 7). This foreign exchange gain is also shown in the accounts.

The Winding-up Board announced on 9th March 2012 that it anticipated that recoveries in the administration of Landsbanki would exceed the book value of priority claims by around ISK 121bn, taking account of the sale of its holding in Iceland Foods, some 9% higher than the value of priority claims. It is now considered likely that, as priority creditors, local authorities will recover 100% of their deposits, subject to potential future foreign currency exchange fluctuations. On this basis, the following assumptions have been made in respect of the timing of further recoveries (based on the latest guidance from CIPFA - LAAP 82 Update No. 7):

Date	Repayment	Date	Repayment
December 2013	7.50%	December 2017	7.50%
December 2014	7.50%	December 2018	7.50%
December 2015	7.50%	December 2019	5.35%
December 2016	7.50%		

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 2013:

Date	Repayment Percentage	
December 2013	7.50%	235,190
December 2014	7.50%	235,190
December 2015	7.50%	235,190
December 2016	7.50%	235,190
December 2017	7.50%	235,190
December 2018	7.50%	235,190
December 2019	5.35%	167,769

Regulations issued in March 2009 allowed the Council not to charge amounts relating to impaired investments to the General Fund. Such amounts were instead transferred to the Financial Instruments Adjustment Account (FIAA), an account that recorded the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with regulations. The regulations, however, only allowed this treatment up to 31 March 2011, at which date the balance in the FIAA relating to impairment of Icelandic deposits was transferred to the General Fund Balance as required by regulation. The following notional interest amounts have, therefore, been credited directly to the Comprehensive Income and Expenditure Statement as at 31 March 2012:

Bank	Credited in 2012/2013	Received in 2012/2013
Heritable Bank (1)	21,469	0
Heritable Bank (2)	21,469	0
Heritable Bank (3)	14,310	0
Heritable Bank (4)	6,504	0
Landsbanki	102,763	0

Note 65 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 Council. The trust funds were brought forward as below:

	2012/2013 £000	2011/2012 £000
Charity of William Llewellyn Palmer	1,603	1,424
Edwin Young Collection	395	367
John Creasey Museum	184	152
William 'Doc' Couch	0	4,135
Westbury Public Baths	620	635
King George V Playing Field	274	280
Other Miscellaneous Funds	110	103
	3,186	7,096

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

	Balance 31 March 2013 £000	Income £000	Loss on expenditure £000	Balance revaluation £000	Transfers to other bodies £000	Balance 31 March 2012 £000
Charity of William Llewellyn Palmer	1,603	56	(42)	165	0	1,424
Edwin Young Collection	395	19	(25)	34	0	367
John Creasey Museum	184	25	(7)	14	0	152
William 'Doc' Couch	0				(4,135)	4,135
Westbury Public Baths	620	106	(121)	0	0	635
King George V Playing Field	274	43	(49)	0	0	280
Other Miscellaneous Funds	110	10	(5)	2	0	103
	3,186	259	(249)	215	(4,135)	7,096

The Trust Fund Assets were valued at 31 March 2012 and the external investments were:

Trust Fund Assets	Market	Market
	Value	Value
	31 March 2013	31 March 2012
	£000	£000
Government Fixed Interest	1	1
Managed Funds - Bonds	467	1,166
Managed Funds - Equities	1,640	3,785
Property	896	1,481
Cash	132	353
Hedge Funds	0	248
Debtors/(Creditors)	2	46
Other	48	16
	3,186	7,096

Housing Revenue Account

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

	NOTE	2012/2013		2011/2012	
		£000	£000	£000	£000
Income					
Rents (gross):					
- dwellings		(22,726)		(21,604)	
- garages		(339)		(332)	
- other		(179)	(23,244)	(172)	(22,108)
Charges for services and facilities			(782)		(812)
Decreased provision for bad debts			0		0
Total Income			(24,026)		(22,920)
Expenditure					
Repairs and Maintenance			4,185		5,596
Supervision and Management:					
- general		3,383		2,964	
- special services		1,218	4,601	1,075	4,039
Rent rebates			1		0
Negative Subsidy payment to Secretary of State	6		8		8,392
HRA self financing settlement			0		118,810
Increased provision for bad debts			281		153
Depreciation & Impairments of Fixed Assets					
- On dwellings	3	10,558		18,166	
- On garages	3	148		148	
- On other Assets	3	2		12	
			10,708		18,326
Total Expenditure			19,784		155,316
Net Cost Of Services per Income & Expenditure Account			(4,242)		132,396
HRA Services share of Corporate and Democratic Core			321		321
Net Cost Of HRA Services			(3,921)		132,717
(Gain)/Loss on sale of HRA fixed assets			(560)		(234)
Interest Payable			3,673		240
Pensions interest costs and expected return on assets			0		0
Amortised Premiums and Discounts			0		0
Interest:					
- on mortgages		(42)		(47)	
- on balances		(99)	(141)	(104)	(151)
(Surplus)/Deficit for the Year on HRA services			(949)		132,572

Statement of Movement on the HRA Balances

	2012/2013 £000	2011/2012 £000
Balance on HRA at the end of previous year	(12,612)	(13,336)
(Surplus)/ Deficit for year on HRA Income and Expenditure Account	(949)	132,572
Adjustments between accounting basis and funding basis under statute	(668)	(131,834)
Net (increase)/decrease before transfers to/ from reserves	(1,617)	738
Transfer to/ from reserves		(14)
Net (increase)/decrease in year on HRA	(1,617)	724
Balance on HRA at the end of current year	(14,229)	(12,612)

Note to Statement of Movement on the HRA Balances

	2012/2013 £000	2011/2012 £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	560	234
HRA self financing settlement	0	(118,810)
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	(4,731)	(14,681)
Transfer to/from Pension Reserve note 7	99	145
Transfer to/from accumulated absences	4	13
Revenue Contributions to Capital Expenditure	3,400	1,265
Net Additional amount required by statute to be credited to the HRA balance for the year	(668)	(131,834)

Housing Revenue Account Notes

1 Housing Stock

	31 March 2013
Houses and Bungalows	
- 1 bedroom	279
- 2 bedrooms	1,448
- 3 bedrooms	1,839
- 4+ bedrooms	145
Flats	
- 1 bedroom	920
- 2 bedrooms	701
- 3+ bedrooms	69
Total dwellings as at 31 March	5,401

The figures above include the 65 new build houses that were brought into use during 2011/2012. The council sold 20 houses during 2012/2013 under the right to buy scheme (RTB), for which the council received a total before pooling of £1,465,000 as capital receipts.

The figures above do not include the PFI housing units recently brought on stream. These units under the PFI scheme are not part of the HRA they are part of the General Fund housing provision. An total of 69 units were released to tenants during 2012/2013, with a total of 242 units being released by 2014/2015. Further information on these PFI dwellings is found in the PFI note

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2 Arrears

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

	31 March 2013 £000	31 March 2012 £000
Rent arrears	1,151	859
less rent payments in advance	(308)	(382)
less bad debt provision	(1,096)	(816)
Net arrears position	(253)	(339)

3 Movement of Housing Revenue Account Assets

	Council Dwellings (Structures) £000	Council Dwellings (Services) £000	Council Dwellings (Land) £000	Other Property (Garages) £000	Other Equipment £000	Total £000
Net Book Value 1 April 2012	123,180	23,670	74,800	4,010	13	225,673
Additions in Year	904	3,367			20	4,291
Disposals	(904)	0				(904)
Revaluations	4,465	1,223	721			6,409
Depreciation	(4,592)	(5,959)		(149)	(8)	(10,708)
Category Adjustments	(317)	1,353	(1,036)			0
Balance at 31 March 2013	122,736	23,654	74,485	3,861	25	224,761

The Balance Sheet value of Council Dwellings (structures, services and land) as at 31 March 2013 was £220,875,120. 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 2013 was £712,500,387. 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. This figure has been discounted by a factor of 31% to get the Existing use value - social housing.

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 2012 was £491,625,267.

The value of land valued in the HRA which is included in the balance sheet value of the council dwellings is £74,485,086.

4 Financing of HRA capital expenditure

	2012/2013 £000
Grants	127
Borrowing	0
Revenue and Reserves	3,400
Other receipts (MRR)	1,074
	4,601
Council Dwellings (Structures and Services)	4,271
Plant & Equipment	330
Asset under Construction	0
	4,601

5 Major Repairs Reserve

	2012/2013 £000	2011/2012 £000
Brought forward at 1 April	(791)	(1,143)
Transfer to Capital	1,074	3,998
HRA Depreciation	(10,708)	(18,327)
Transfer to HRA	4,731	14,681
Carried forward at 31 March	(5,694)	(791)

6 Self Financing Settlement / Breakdown of HRA Subsidy

Under the new Self financing for HRA on 28 March 2012 Wiltshire Council paid over £118 million to the government as a debt settlement. Under the old subsidy system, the council had to pay to the government a negative subsidy of around £8 million per annum which was then largely redistributed to other HRA councils across the country who would receive subsidy payments. The £118 million effectively bought out the council from having to pay £8 million to government annually. Therefore during 2012/2013 the council did not have to pay any negative subsidy to the government, but instead made debt repayments of £3.673 million.

7 Contribution to Pension Reserve

The HRA bears a share of the pension contribution due to the IAS 19 adjustment in proportion to the payments made during the year. See note 61 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.

	NOTE	2012/2013		2011/2012	
		£000	£000	£000	£000
Income					
Income from Council Tax	1		(248,862)		(247,559)
Transferred from General Fund					
Council Tax Benefits			(27,104)		(26,737)
Transitional Relief			(10)		(2)
Income from Business Rates	2		(133,189)		(132,032)
			<u>(409,165)</u>		<u>(406,330)</u>
Disbursement					
Precepts and Demands					
- Wiltshire Council		221,268		219,179	
- Wiltshire Police Authority		28,558		28,288	
- Wiltshire & Swindon Fire Authority		11,291		11,185	
- Town/ Parish Councils		13,154		12,733	
			274,271		271,385
Share of surplus/(deficit) on Collection Fund					
- Wiltshire Council		1,695		1,000	
- Wiltshire Police Authority		219		129	
- Wiltshire & Swindon Fire Authority		86		51	
			2,000		1,180
NNDR					
- payment to national pool	2	132,954		130,935	
- cost of collection allowance	2	618	133,572	622	131,557
Provisions for Bad Debts			203		284
Write Offs - Council Tax			473		352
Write Offs - NNDR			(383)		475
Fund surplus/(deficit) for the year			(971)		1,097
			<u>409,165</u>		<u>406,330</u>
Fund balance b/f					
(Surplus)/deficit for year			(2,560)		(1,463)
Fund balance c/f	5		<u>(1,589)</u>		<u>(2,560)</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 £1,515.25 for 2012/2013 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	42	23	5/9
Band A	18,712	12,475	6/9
	<hr/>	<hr/>	
	18,754	12,498	
Band B	33,160	25,791	7/9
Band C	43,373	38,554	8/9
Band D	31,105	31,105	9/9
Band E	23,901	29,212	11/9
Band F	14,697	21,229	13/9
Band G	9,396	15,659	15/9
Band H	1,038	2,077	18/9
		<hr/>	
		176,125	
Add adjustment for contributions in lieu, new properties and bad debts		4,882	
Council Tax Base 2012/2013		<hr/> <hr/>	
		181,007	

2 National Non-Domestic Rates

The total non-domestic rateable value at 31 March 2013 was £357,626,223. The national non domestic multiplier for the year was 45.8p and the small business rates relief multiplier was 45.0p.

3 Collection Fund Surpluses and Deficiencies

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

4 Precepts and Demands

Main Preceptors	2012/2013 Precepts	Share of Council Tax Surplus
	£000	£000
Wiltshire Council	221,268	1,695
Wiltshire Police Authority	28,558	219
Wiltshire Fire Authority	11,291	86
Town/Parish	13,154	0
	<hr/>	<hr/>
	274,271	2,000

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 2013	31 March 2012
	£000	£000
Wiltshire Council	(1,346)	(2,169)
Wiltshire Police Authority	(174)	(280)
Wiltshire Fire Authority	(69)	(111)
	(1,589)	(2,560)

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.

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;
- **Property plant and Equipment (PPE) assets** – tangible assets that give benefits to the Council for more than one year;
- **Community assets** – assets without determinate life that the Council 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.
- **Heritage assets** – Assets held solely for historical, artistic, scientific, technological, geophysical or environmental qualities.

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.

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 Council 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 Council.

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 a Council's accounts.

Code of Practice

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

Comprehensive Income and Expenditure Statement (CI&ES)

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

Creditors

Money owed by the Council to others.

Debtors

Money owed to the Council 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 Council, 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 Council by their nature.

General Fund

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

Government Grants

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

Government Grants Deferred

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

Gross Expenditure

Expenditure before deducting any related income.

Housing Revenue Account (HRA)

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

Impairment

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

IFRSs

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

Leases

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

Liabilities

Amounts the Council 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 Council'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.

Service Reporting Code of Practice (SeRCOP)

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.

Usable Capital Receipts Reserve

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

Useful Life

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

Value Added Tax (VAT)

An indirect tax levied on vatable goods and services.