

**FINAL ACCOUNTS AND AUDIT COMMITTEE  
28 JUNE 2007**

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**STATEMENT OF ACCOUNTS 2006-07**

**Executive Summary**

The Statement of Accounts for 2006-07 is presented for Members for approval.

The way that we present and discuss the Accounts for the year will be evaluated by the Audit Commission for their Key Lines of Enquiry (KLOE) on the Use of Resources.

The KLOE anticipate that a full explanatory paper is presented to Members which sets out the key issues and that there is a robust Member scrutiny prior to approval.

Members are encouraged to seek explanation or assurances of any figures in the Accounts. This paper sets out key issues for Members to consider.

**Proposal**

To ask Members for any comments, questions or requests for further information in relation to the Statement of the Accounts for 2006-07.

To approve the Statement of Accounts, subject to audit, for the year ended 31 March 2007.

To agree that the Chairman of the Final Accounts and Audit Committee can sign the un-audited Statement of Accounts for 2006-07.

**Reasons for Proposals**

The proposals in the report arise from the statutory requirements of the Accounts and Audit Regulations 2003.

Sandra Schofield  
Chief Financial Officer

**FINAL ACCOUNTS AND AUDIT COMMITTEE  
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**STATEMENT OF ACCOUNTS 2006-07**

**Purpose of the Report**

1. The County Council is required to produce and approve an annual Statement of Accounts.

**Background**

2. Under the Accounts and Audit Regulations 2003 the County Council or an appropriate committee, must approve the Statement of Accounts, by 30 June following the end of the financial year.
3. The Regulations require the Statement of Accounts to be published, following completion of the external audit, by 30 September.

**Main Considerations for the Committee**

4. The Statement of Accounts is intended to give electors, those subject to locally levied taxes and charges, Members, employees and other interested parties clear information about Wiltshire County Council's finances. It is intended to answer questions such as:
  - What did services cost this year?
  - Where did the money come from?
  - What are the assets and liabilities at the year-end?
5. The format and content of the Statement of Accounts are closely specified by the CIPFA Accounting Code of Practice. The need to comply with this Code and the complexity of some of the balance sheet transactions reported, mean that some of the Statement could appear obscure to those who are not familiar with local authority accounts.

**Audit of the Statement of Accounts**

6. The Audit Commission have commenced the audit of the Accounts and associated working papers. The audit will have been completed when the Statement of Accounts is brought back to this Committee for final approval on the 27 September 2007.

## Explanatory Notes and Key Issues

7. The Statement of Accounts presents the financial transactions of Wiltshire County Council for the financial year 2006-07. The decision to approve these Accounts for audit has no impact on future financial planning decisions for the County Council, but is a historic view of the transactions and balance sheet for the year.
8. The regulations require that the Statement of Internal Control is presented and approved together with the Statement of Accounts. This requires the Chief Executive and the Leader of the Council to confirm that the systems and procedures in place are sufficient to ensure that assets are safeguarded. This has been presented as a separate item on this agenda.
9. The full Statement of Accounts for the Wiltshire Pension Fund for 2006-07 are published separately, as part of the Pension Fund Annual Report. However, a summary can be found within the County Council's Statement of Accounts.
10. The Accounts will also be made available for public inspection and comment on the 10 August 2007 in accordance with the Audit Commission Act 1998.
11. The Accounts include an income and expenditure account summary, the balance sheet, a cashflow statement, a statement of the movement on the general fund balance, a statement of total recognised gains and losses (STRGL) accounting policies and a series of notes. At the date of circulation the cashflow and the STRGL were not finalised, these will be completed and circulated at or before the meeting.

## Key issues

12. The way that the Accounts for the year are presented and discussed will be evaluated by the Audit Commission through Key Lines of Enquiry on the Use of Resources. The expectation is that a full explanatory paper is presented to Members that sets out the key issues and that there will be a robust Member scrutiny prior to approval. Members are encouraged to seek explanation or assurances of any figures in the Accounts and this paper sets out the key issues for consideration.
13. The 2006-07 financial year has been dominated by spending pressures in the year in relation to health and adult social care services that led to a corporate recovery plan to address a potential shortfall of £11 million. The Department of Adult and Community Services reviewed budgets and service delivery to achieve a reduction in expenditure, and budget transfers from other departments were made following implementation of efficiency measures and one-off savings. Many of the changes delivered savings earlier and of greater value than originally estimated, resulting in a net underspending in the year of £1.7 million
14. The Revenue Outturn report to Cabinet on 26 June 2007 identified the actual level of under spending at £1.727 million on total spending of £219.615

million. The County Fund balance shown on page 2 is consistent with the Revenue Outturn report.

15. The County Council's liability in terms of its Pension Fund deficit decreased in 2006-07 due mainly to the difference between the expected and actual return on assets in the year, and a number of other small percentage changes in the financial assumptions that impact on the net deficit of the Fund.
16. Capital Expenditure was £57.045 million with approximately £7.9 million of re-programmed expenditure where spending on schemes anticipated in 2006-07 will now occur in 2007-08.
17. The County Council's borrowing is increasing each year in line with spending approvals allocated by various government departments. The Treasury Management report to Cabinet in June 2007, describes the key features of our borrowing strategies and how they were operated during the year. Loans are managed to limit exposure to interest rate changes and ensure that only a small proportion is repayable in any one year. The Council uses external consultants to advise on opportunities to repay higher rate loans and to continue the trend of reducing our net external interest rate.

#### Spending - comparing 2005-06 to 2006-07

18. An approach to reviewing our spending is to compare amounts between years to identify changes in costs or service delivery. For example on page 14 you can see that the net spending on individual schools funds were higher in 2005-06 than 2006-07. The majority of the funding now comes from the Dedicated Schools Grant (DSG). Agricultural services show a net income in 2005-06 due to the sale of some of the County's farms.
19. The net spending shown for schools devolved grants initially look unusual. However, these funds do not have to be spent during the financial year and the DfES allow schools up to 18 months to use them.
20. Decreased spending in other non-schools funding is due to this now being mostly funded by grants.
21. Highways, roads and transport services show differences in net spending between 2005-06 and 2006-07 because under the requirements of the 2006 SORP notional capital charges are no longer calculated. This has had a smaller impact over the other service areas.
22. Non distributed costs relate to one-off payments into the Pension Fund for early retirement costs. These vary between years depending on the number and costs of the early retirements.

#### Other Notes

23. There are a large number of statutory notes to attach to the Statement which are designed to enhance the understanding of the Accounts. They are selective notes and deal with specific issues and amounts, such as identifying the amount paid to the Audit Commission each year.

- Page 25 - 29
24. There are a large number of notes relating to capital spending and fixed assets designed to show how the values have moved between year ends and what assets have been sold and acquired.
- Page 29 - 32
25. There are further notes analysing debtors and creditors at the year-end, and then a series of notes that identify the loans we have and how they have changed in the year.
- Page 33
26. The provisions have increased during the year, mainly relating to funds set aside to meet future insurance claims.
- Page 35 - 36
27. Notes disclosing how the value of the Pension Fund deficit have changed are shown in compliance with FRS 17.
- Page 37
28. This shows all the reserve accounts of the Authority, with the largest being those held by schools under local management arrangements. The capital reserve contains funds required to pay for re-programmed expenditure from 2006-07 into 2007-08 and the insurance reserve is held against liabilities assessed by our insurers. There are a number of other reserves and balances which are held for specific purposes and are relatively small in nature. The nature and value of all these reserves was presented to the County Council in February 2007 when the budget was considered.
- Page 42 - 49
29. The accounts of the Wiltshire Pension Fund, of which Wiltshire County Council is one employer, are shown in detail, the assets of the fund exceed £1 billion.
- Page 50
30. This shows the trust funds which are managed and reported to relevant committees in line with recommended practice from the Charity Commission. The value of these funds are maintained in line with the bequests.
- Page 52 - 54
31. The Auditor's opinion is shown at the back of the document.
32. The Statement on the System of Internal Control is shown as a separate item on this agenda and will be included in the Accounts once approved.
33. The notes above draw attention to some of the key elements of the Accounts. There are no changes to figures arising from changes in accounting policies or treatment of transactions.

### **Environmental Impact of the Proposal**

34. None identified.

## **Risk Assessment**

35. The Statement of Accounts quantifies, provides for or notes any potential financial risks to the Authority, and therefore the assessment of risk is implicit throughout the document.
36. In addition, the quality and timeliness of the production of the Accounts is assessed by the auditors in the use of resources criteria within the Comprehensive Performance Assessment for the Authority. By complying with prescribed timescales and accounting codes of practice the quality of the accounts is maintained.

## **Financial Implications**

37. These are explicit in the report.

## **Proposal**

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## **Reasons for Proposals**

The proposals in the report arise from the statutory requirements of the Accounts and Audit Regulations 2003.

SANDRA SCHOFIELD  
CHIEF FINANCIAL OFFICER

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Unpublished documents relied upon in the preparation of this report: NONE

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