AGENDA

Meeting: Audit

Place: Council Chamber - Council Offices, Bradley Road, Trowbridge, BA14 0RD

Date: Wednesday 28 September 2011

Time: 10.30 am

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

All public reports referred to on this agenda are available on the Council's website at www.wiltshire.gov.uk .

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

Membership:

Cllr Richard Britton
Cllr Nigel Carter
Cllr Chris Caswill
Cllr Peter Doyle
Cllr George Jeans
Cllr David Jenkins
Cllr Julian Johnson
Cllr Jacqui Lay
Cllr Alan Macrae
Cllr Helen Osborn
Cllr Sheila Parker (Vice Chairman)
Cllr Bridget Wayman
Cllr Roy While (Chairman)

Non-Voting Members
Cllr John Brady
Cllr Jane Scott OBE

Substitutes
Cllr Ernie Clark
Cllr Peter Colmer
Cllr Michael Cuthbert-Murray
Cllr Rod Eaton
Cllr Mark Griffiths
Cllr Mollie Groom
Cllr Howard Marshall
Cllr Francis Morland
Cllr Jeff Osborn

Part I

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

1. Apologies

2. Chairman's Announcements

To receive the Chairman’s announcements.

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

To confirm and sign the minutes of the Audit Committee meeting held on 29 June 2011 (copy attached).

4. Members' Interests

To receive any declarations of personal or prejudicial 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 21 September 2011. 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. Annual Governance Statement *(Pages 9 - 16)*

A report by the Monitoring Officer is attached, Appendix 1 to follow.

7. Report to those Charged with Governance *(Pages 17 - 56)*

A report by the Chief Finance Officer is attached.

8. Wiltshire Council Statement of Accounts 2010-11 *(Pages 57 - 172)*

A report by the Chief Finance Officer is attached.

9. Risk Management Update

Report to follow.

10. Internal Audit Progress Report 2011-12 *(Pages 173 - 196)*

A report by the Chief Finance Officer is attached.

11. Internal Audit TUPE Update *(Pages 197 - 208)*

A report by the Chief Finance Officer is attached.

12. Urgent Items

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

13. Date of next meeting

To note that the next regular meeting of the Committee will be held on 14 December 2011.

14. Exclusion of the Press and Public

To consider passing the following resolution:

To agree that in accordance with Section 100A(4) of the Local Government Act 1972 to exclude the public from the meeting for the business specified in Item Number 15 because it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in paragraphs 3 and 4 of Part I of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

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

15. Internal Audit TUPE Update (part II) *(Pages 209 - 236)*

A report by the Chief Finance Officer is attached.

Wiltshire Council
Where everybody matters

AUDIT

DRAFT MINUTES OF THE AUDIT MEETING HELD ON 29 JUNE 2011 AT COUNCIL CHAMBER - MONKTON PARK OFFICES, CHIPPENHAM.

Present:

Cllr Chris Caswill, Cllr George Jeans, Cllr David Jenkins, Cllr Julian Johnson, Cllr Jacqui Lay, Cllr Alan Macrae, Cllr Sheila Parker (Vice Chairman), Cllr Bridget Wayman and Cllr Roy While (Chairman), Cllr Jeff Osborn

Also Present:

Cllr John Brady, Cllr Fleur de Rhe-Philippe

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28. **Apologies**

Apologies were received from Cllrs Jane Scott OBE, Peter Doyle, Richard Britton and Nigel Carter.

29. **Chairman's Announcements**

The Chairman had two announcements.

- He welcomed Cllr Jacqui Lay as a new member of the Committee and Cllr John Brady as a non-voting committee member.
- The Chairman informed the Committee that the next meeting would start earlier, due to the nature of business on the agenda.

30. **Minutes of the Previous Meeting**

The Chairman of the Audit Committee welcomed Cllr Jeff Osborn, Chairman of the Scrutiny Committee to update members on a meeting between Scrutiny and Audit representatives, where the roles and responsibilities regarding SAP were discussed.

The outcome of this meeting was that Scrutiny, through the ICT Task Group would assume the lead role in reviewing the development of SAP as part of its responsibility for monitoring the implementation of the ICT plan. It was recognised that SAP was not simply an ICT application and therefore other

Business Plan priorities about transformation and shaping the future were interlinked. It was also noted that there was common membership across Audit and Scrutiny function which would help facilitate wider discussions.

The Chairman of the Audit Committee explained that financial implications related to SAP would be brought to the Audit Committee.

In response (para 27, page 6 of the agenda refers) Michael Hudson, Interim Chief Finance Office explained that Option 2 was now in formal process, he was able to add that there was a timetable and that targets were being made.

The minutes of the previous minutes were deferred for signing until the next meeting.

31. **Members' Interests**

There were no declarations of interest.

32. **Public Participation and Committee Members' Questions**

There was no public participation.

33. **Interim Audit Report 2010-11**

The Interim Chief Finance Officer, Michael Hudson gave an overview of the interim audit findings, he explained that KPMG have carried out interim audit testing of processes and controls to inform the 2010/11 audit opinions in relation to the Council's statement of accounts and value for money conclusions. As part of that audit KPMG have sought to place reliance on internal audit's findings.

Rachael Tonkin, Manager, KPMG updated the Committee on the key findings of the report. The review of the Council's general control environment was completed in March 2011. The review of IT control environment is on-going and due to finish shortly.

- **Organisation Control Environment** – effective overall, no specific areas for further improvement.
- **IT Control Environment** – review is still on-going, work suggests that KPMG will be unable to rely fully on the Council's IT controls. Issues identified in last years report have been addressed and this has been noted but these improvements have not yet fully addressed all underlying issues. Detailed feedback will be given through *the Report to those charged with governance 2010/11* in September.
- **Controls over Key Financial Systems** – overall the majority of key financial systems are sound, some weaknesses were noted and recommendations provided. Some additional substantive work will occur at year end in some areas.

- **Review of Internal Audit** – Full reliance was given on internal audit's work on key financial systems, however this was not the case for internal audit's IT work where additional significant testing is taking place.
- **Accounts Production Process** – The Council's overall process for the preparation of the financial statements is sound. The Council has implemented all of the recommendations in ISA 260 Report 2009/10 relating to the financial statements.
- **IFRS Re-statement** – the transition to IFRS accounts has generally gone well.

Members of the Committee sought clarification on a number of points including;

Accounts production **'significant challenges**' - Rachael Tonkin explained that there was a lot more work to be undertaken when producing IFRS accounts. Michael Hudson made clear that this was the first time that the accounts had been produced in this way. The interpretation of CIPFA guidance would perhaps not be the same as that of KPMG and clarification would be sought.

'Alter our audit strategy' - Rachael Tonkin explained that significant additional testing would take place during the audit of the financial accounts. This would have implications on the amount of work KPMG would need to undertake and have an effect on the fee. Options have been discussed with Finance staff and KPMG would work closely with them to minimise costs.

User Access, SAP - Members questioned whether there were still issues. It was reported that the number of access users had significantly reduced but not enough for KPMG to issue a full assurance. Michael Hudson accepted that there was need for improvement. The advice given will be taken and the recommendations made will be a top priority for the finance team.

Assurance was sought that 'bolt ons' and 'add ons' to SAP would not be used. It was explained that the ERP system could integrate with a number of systems and that many systems had been inherited. Michael Hudson would seek confirmation and report back to the Committee.

Members sought reassurance from KPMG that the audit work was on schedule to inform the final report. Rachael Tonkin reported to the Committee that the audit work was broadly on track, being only slightly behind on the IT audit work but this should be back on track within the week. Planning discussions for 2011/12 were already taking place.

Michael Hudson re-iterated again that changes within the internal audit team had no reflection on the IT audit, the internal audit report had been written prior to the Head of Internal Audit leaving.

Cllr John Brady, Cabinet Member for Finance, Performance and Risk, stated that there were a number of very positive points and that this was an interim report. Darren Gilbert, Senior Manager, KPMG described that in the 2009/10 report there were 18 high risks, the interim report details a very different picture. The Chairman concluded that whilst there were still issues a considerable amount of progress had been made, he re-iterated that the interim report is work in progress. He thanked Rachael Tonkin and Darren Gilbert from KPMG for their report and input.

Resolved:

That the report containing the interim audit findings was noted.

34. **Annual Audit Fee 2011/12**

The proposed indicative external audit fee for 2011/12 is £370,260 excluding external grant audit fees that are proposed at £80,000. This represents a 15% or £65,340 reduction from the 2010/11 audit fees of £435,600.

Resolved:

That the proposed fee is noted.

35. **Internal Audit Report 2010/11**

Estelle Sherry, one of the three Principal Auditors presented the Internal Audit Annual Report 2010/11. She explained that the report had been drawn up differently than in previous years drawing attention in the report onto internal audit work and its outcomes. Internal audit opinion, work completed and key risks arising have been brought to the front of the report.

Key areas of note were;

- **The IA Opinion**
  The Council has improved its overall control environment, the opinion given is substantial assurance in spite of;
    - Realignment of services within directorates
    - Budget cuts
    - Management redundancies affecting service areas
    - Implementation of new systems across many services

- **IA Work 2010/11 and Direction of Travel**
  Internal audit finalised reports on a total of 44 planned audits and completed 30 follow up reviews. None of the planned audits received a no assurance statement.

- **Summary of Audits Completed** – key issues and high risks included
    - Housing Rents – failure to conduct effective verification checks on standing data changes to rent liabilities prior to adjustment and implementation.

- Bridge Management – failure by the Bridge Team to undertake inspections of bridges formerly the responsibility of District Councils.
    - Passenger Transport Procurement – limited scope for further procurement savings due to pressures being experienced by suppliers.
    - 5 Rivers Leisure Centre – breach of CRB requirements through failure to hold evidence that staff are CRB checked.

- **Summary of Follow ups** – follow ups have found that management have taken effective action in response to reported risks in the vast majority of cases.

- **Management Engagement with Internal Audit Process** – Internal audit has the responsibility to report on results of work and on management responses to risk reported. Effective and timely implementation of actions to mitigate or eliminate risks is management responsibility. Included within the internal audit report is a section (para 14, page 55 of the agenda refers) highlighting where management have not been acceptably responsive and have sought to avoid engagement.

- **Key Risks Arising** – In year 48 high risks were reported in 23 of 44 audits completed. Examples where there were multiple high risks were:

    - The provision of care homes – inadequate legal involvement with OSJ contracts, methods for assessing usage was found to be confusing and variable, poor control over the control of the resident's cash and records.
    - CRB records for schools and children's centres – CRB check evidential failures, poor control over personnel records, inconsistent communications with schools and children's centres.

In addition to the audit work undertaken internal audit staff have provided help and advice across the directorates. National Fraud Initiative (NFI) work has also been ongoing as has Financial Management Standard in Schools (FMSiS). The requirement to undertake FMSiS ceased in December 2010; final assessments were still completed as a service to schools. From Sept 2011 it is likely that Schools Financial Value Standard (SFVS) will start. Guidance from the Department of Education is awaited.

Despite a challenging year for the internal audit team, where there has been reduced capacity, and the proposal of an alternative vehicle for the delivery of the internal audit function, internal audit has delivered 91% planned audits with 96% of staff time being spent productively.

Members of the Committee congratulated the team for a good report under challenging circumstances.

Concern was raised regarding the high risk areas of CRB checks and care homes. Members agreed that 33 weeks was to long a timeframe for management response. The Chairman suggested that a letter be written to all managers stipulating their responsibilities in light of internal audit highlighting risk areas. A report would be brought to the next meeting to give the Committee guidance that these issues were resolved. It was noted that in respect of the CRB issue both OFSTED and CRB were issuing conflicting guidance to schools and youth centres.

Members of the Committee expressed concern over the issue of VAT receipts and allowances. Ian Gibbons, Monitoring Officer explained that this had been referred to Group Leaders and a further note had been issued to members confirming the position. He agreed to look into any particular concerns about VAT receipts.

Issues were raised over Land Charges and that discretion should be given. It was noted that there had been impact due to staff turnover. Should members know of delays then members of the public should be directed to Cllr Sturgis.

Resolved:

That the internal audit report is noted and that internal audit reports should be sent to relevant Cabinet members where areas of concern have been highlighted.

36. **<u>Consultation on the Future of Local Public Audit (DCLG)</u>**

Michael Hudson, Interim Chief Finance Officer, introduced a report which set out Wiltshire Council's proposed response to the consultation document issued by the Department for Communities and Local Government (DCLG), entitled the Future of Local Public Audit.
Committee members thanked him for the report. They agreed that a commissioning process was a healthy way forward. He explained that the appointment of auditors must come from the register of local public statutory auditors which would possibly consist of 4 – 5 external auditors. To ensure that the relationship between the Council and the auditor does not become too close a system of rotation is proposed. Members concurred that a system of rotation was appropriate and that it was in the public interest to see the process of rotation.
There was strong support for the inclusion of independent members, including that of the Chair and Vice Chair which would create more transparency.
On balance members felt that Option One of the consultation paper (para 23, page 97 of the agenda refers) was the appropriate way forward, with accounts produced resembling those in the private sector with increasing transparency and improving reporting to the Public .
The Interim Chief Finance Office thanked the Audit Committee for their comments and that these would be used to shape the final response to the proposals out for consultation.

Resolved:

That the report be noted and a response is sent to the DCLG based on the draft responses and taking account of the comments from members.

37. **Annual Governance Statement 2010-11 Draft**

The Monitoring Officer, Ian Gibbons, presented the Draft Annual Governance Statement (AGS) for 2010-11 for the Committee's preliminary comments.

It was noted that the Council was required to prepare and publish an AGS as part of its annual review of the effectiveness of its governance arrangements (para 4, page 115 of the agenda refers), meeting the six principles of good governance adopted in its Code of Corporate Governance.

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

The draft AGS would be presented to Cabinet, the Standards Committee and KPMG, External Auditors, with any comments being presented to this Committee at its meeting on 28 September 2011 when the AGS would be presented for final approval.

Members noted that significant progress had been made in the Housing Landlord Service Improvement Plan and questioned whether this needed to remain a significant governance issue. The Committee asked the Assurance Group to keep this under review and to: refer in the AGS to the new requirement to send internal audit reports to Cabinet Members; review the governance arrangements for section 106 agreements; include outstanding harmonisation issues arising from LGR as part of the significance governance issue relating to the Transformation Programme.

Resolved:

To ask the Assurance Group to review and amend the AGS in light of the above comments.

To note that the draft AGS will be revised further in the light of ongoing work by the Assurance Group and any comments of the Standards Committee and Cabinet, before being brought back to the Committee for final approval on 28 September 2011.

38. **<u>Forward Work Programme</u>**

Resolved:

The plan was noted.

39. **<u>Date of next meeting</u>**

The next meeting will take place on the 28 September 2011, in the Council Chamber, Monkton Park starting at 10.30am with a working lunch. Members should note that this is likely to be a lengthy meeting continuing into the afternoon.

(Duration of meeting: 10.40 am – 1.05pm)

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

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

Wiltshire Council **Agenda Item No.6**

Audit Committee

28 September 2011

Annual Governance Statement 2010/11

Purpose of the report

1. To ask the Audit Committee to approve the Annual Governance Statement for 2010/11 for publication with the Statement of Accounts.

Background

2. The Council is required, as part of its annual review of the effectiveness of its governance arrangements, to produce an Annual Governance Statement (AGS) for 2010/11.

3. Based on advice from the Chartered Institute of Public Finance and Accountancy (CIPFA), the AGS should include:

    - an acknowledgement of responsibility for ensuring there is a sound system of governance, incorporating the system of internal control;

    - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide;

    - a brief description of the key elements of the governance framework, including reference to group activities where those activities are significant;

    - a brief description of the process that has been applied in maintaining and reviewing the effectiveness of the governance arrangements;

    - an outline of the actions taken, or proposed, to deal with significant governance issues, including an agreed action plan.

4. The AGS for Wiltshire Council should demonstrate how the Council is meeting the six principles of good governance adopted in its Code of Corporate Governance. These principles are:

   - focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;

   - councillors and officers working together to achieve a common purpose with clearly defined functions and roles;

   - promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

   - taking informal and transparent decisions which are subject to effective scrutiny and managing risk;

   - developing the capacity and capability of councillors and officers to be effective;

   - engaging with local people and other stakeholders to ensure robust accountability.

5. The AGS is primarily retrospective. It reports on the assurance framework and measures in place for the financial year 2010/11, but must take account of any significant issues of governance up to the date of completion on 28 September 2011. The AGS should outline the actions taken or proposed to address any significant governance issues identified.

6. The AGS is drafted by members of the Assurance Group, which comprises senior officers who have lead roles in corporate governance and member representatives from the Audit Committee and the Standards Committee.

7. The evidence for the AGS comes from three primary sources - an assurance framework, directors' assurance statements, and from relevant lead officers within the organisation.

8. A draft AGS was considered by the Audit Committee on 29th June 2011, by the Standards Committee on 20th July 2011, and by Cabinet on 13 September 2011. Relevant extracts from the minutes of these meetings are attached at Appendices 2 and 3. The AGS has been revised to reflect the comments received.

9. The draft AGS has also been submitted to the Council's external auditors, KPMG for comment. Consequential amendments to the AGS have been made.

Proposed AGS 2010/11

10. A copy of the proposed AGS for 2010/11 is attached at Appendix 1.

9. The draft reflects the elements described in paragraph 3 of this report and has regard to revised guidance from CIPFA.

11. Section C of the AGS describes the Council's governance framework for the relevant period, namely April 2010 to date.

12. Section D provides a review of the effectiveness of the Council's governance framework. This section has been structured to reflect the key governance principles set out in the Council's Code of Corporate Governance.

13. Internal Audit has given an overall audit opinion that for 2010-11 it is able to give a substantial assurance on the adequacy and effective operation of the Council's overall control environment - see paragraph 70 of the AGS.

14. Section E of the AGS requires the Council to identify any significant internal control issues affecting the Council during the relevant period.

15. CIPFA guidance suggests that an internal control issue is to be regarded as significant if:

- the issue has seriously prejudiced or prevented achievement of a principal objective;
- the issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business;
- the issue has led to a material impact on the accounts;
- the audit committee, or equivalent, has advised that it should be considered significant for this purpose;
- the Head of Internal Audit has reported on it as significant, for this purpose, in the annual opinion on the internal control environment;
- the issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- the issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

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

- SAP Financial Systems

- Housing Landlord Service Improvement Plan
- Implementation of the Transformation Programme
- Managing Significant Reductions in Government Funding and Changes in Legislation
- Governance Arrangements for Dealing with Complaints Involving Third Parties

17. The Assurance Group has reviewed assurance statements from directors in relation to their services. There are no significant governance issues identified, other than those set out in Section E.

18. The Committee will note Cabinet's decision to add the following to Section E in relation to the proposed senior management restructuring. This proposal is due to be considered by Cabinet on 6 October 2011. The wording has been changed to reflect this date.

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

19. The Assurance Group considered the governance arrangements for section 106 agreements in the light of the Committee's comments in June. The Group noted that the monitoring of section 106 agreements was being undertaken under the direction of the Cabinet Member for Development Control Services with progress being reviewed by a dedicated Task Group. The Assurance Group were satisfied that the matter is being properly addressed and there was no reason to include this as a significant governance issue in the AGS.

Financial implications

18. There are no financial implications arising from this report.

Risk Assessment

19. The production of the AGS is a statutory requirement. Ongoing review of the effectiveness of the Council's governance arrangements is an important part of the Council's risk management strategy.

Environmental Impact

20. There is no environmental impact arising from the proposals in this report.

Equality and Diversity Impact

21. There are no equality and diversity issues arising from this report.

Ian Gibbons
Director of Law and Governance

Report Author: Ian Gibbons

Unpublished documents relied upon in the production of this report:

The CIPFA Finance Advisory Network - The Annual Governance Statement

Appendices

Appendix 1 - draft Annual Governance Statement

Appendix 2 – relevant extracts from the minutes of Audit and Standards Committees and Cabinet

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Appendix 2

Draft Annual Governance Statement

Extract from draft minutes of the Audit Committee – 29 June 2011

37. <u>Annual Governance Statement 2010-11 Draft</u>

The Monitoring Officer, Ian Gibbons, presented the Draft Annual Governance Statement (AGS) for 2010-11 for the Committee's preliminary comments.

It was noted that the Council was required to prepare and publish an AGS as part of its annual review of the effectiveness of its governance arrangements (para 4, page 115 of the agenda refers), meeting the six principles of good governance adopted in its Code of Corporate Governance.

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

The draft AGS would be presented to Cabinet, the Standards Committee and KPMG, External Auditors, with any comments being presented to this Committee at its meeting on 28 September 2011 when the AGS would be presented for final approval.

Members noted that significant progress had been made in the Housing Landlord Service Improvement Plan and questioned whether this needed to remain a significant governance issue. The Committee asked the Assurance Group to keep this under review and to: refer in the AGS to the new requirement to send internal audit reports to Cabinet Members; review the governance arrangements for section 106 agreements; include outstanding harmonisation issues arising from LGR as part of the significance governance issue relating to the Transformation Programme.

Resolved:

To ask the Assurance Group to review and amend the AGS in light of the above comments.

To note that the draft AGS will be revised further in the light of ongoing work by the Assurance Group and any comments of the Standards Committee and Cabinet, before being brought back to the Committee for final approval on 28 September 2011.

Extract from draft minutes of the Standards Committee – 20 July 2011

50. Annual Governance Statement

The Monitoring Officer presented the Draft Annual Governance Statement for 2010-11 for the Committee's preliminary comments.

It was noted that this is a statutory requirement and the content follows guidance from CIPFA and is built around the six principles of good governance.

Following a debate the following changes were suggested:

Paragraph 12 – additional sentence to read: The Constitution Focus Group remains in place to review the constitution in the light of the Localism Bill.

Paragraph 13 – add at end of sentence 'and some of this is delegated to Area Boards'.

Paragraph 61 – 4th line delete 'these policies' and replace with 'the Whistleblowing Policy'.

Paragraph 73 – need to add the point that there is an ambition to align scrutiny activities to the business plan.

Paragraph 83 – clarify the definition of 'charter'.

Resolved:

1. **To make amendments as detailed above.**
2. **To note that the draft Annual Governance Statement will be revised in the light the comments made by this Committee and the ongoing review work by the Governance Assurance Group. It will then be considered by Cabinet before being taken back to the Audit Committee for final approval and publication by 30 September 2011.**

WILTSHIRE COUNCIL

AUDIT COMMITTEE

28 SEPTEMBER 2011

Subject:	**KPMG: REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2010/2011**
Cabinet member:	**John Brady – 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. Darren Gilbert, the Senior Manager, Audit, 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 by 30 September 2011.

    - The Council has addressed critical accounting matters appropriately. This includes the implementation of International Financial Reporting Standards (IFRS), which has been addressed appropriately by the Council.

    - KPMG identified a number of adjustments to the draft financial statements, however these are all classification errors and as such have no impact on the overall reported financial position or performance. They concluded that this result demonstrates the high level of care and resource that the finance team put into preparing the financial statements and the working papers for audit.

- KPMG concluded that the quality of the accounts and the supporting working papers provided to them was excellent. Officers dealt efficiently with audit queries and the audit process has been completed to the planned timescales. It should be noted that this has been achieved whilst coping with the department restructuring and the transition to IFRS which resulted in a significant amount of additional work for KPMG and Finance staff.

- KPMG confirmed that they are again unable to rely fully on the operation of key automated controls within the Council's general IT control environment. As a result of the additional IT audit work was required, which resulted in an additional fee.

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

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 2010/2011.

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
Chief Finance Officer

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) 2010/2011

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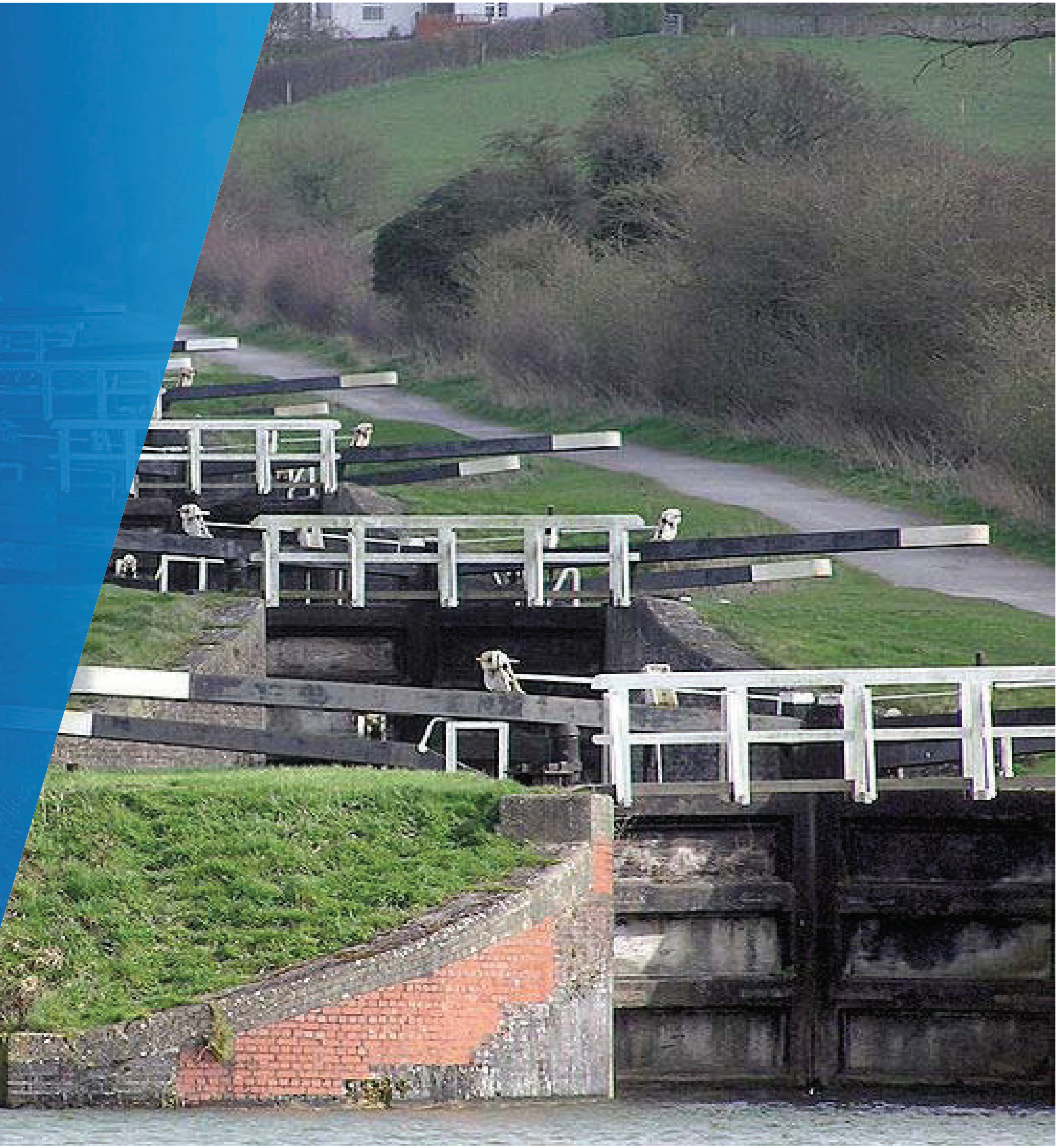
KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2010/11

Wiltshire Council

September 2011



Contents

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Page 22

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.

Section one

Introduction

Page 23

This report summarises:

- **the key issues identified during our audit of Wiltshire Council's financial statements for the year ended 31 March 2011; 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 2010/11*, presented to you in June 2011, which summarised our planning and interim audit work.

Financial statements

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

Planning → Control Evaluation → Substantive Procedures → Completion

We previously reported on our work on the first two stages in our *Interim Audit Report 2010/11* issued in June 2011

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 2010/11.*

Our final accounts visit on site took place between 4 July and 9 September 2011. During this period, we carried out the following work:

Substantive Procedures

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

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

Completion

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

VFM conclusion

Like all authorities, the Council is facing unprecedented financial pressures and must take radical steps to ensure it continues to deliver value for money through its services in the face of reduced government funding.

We have now completed our work in respect of the 2010/11 VFM conclusion. This included work to address the specific risk areas identified in our *VFM Audit Plan 2010/11*.

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 2010/11 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

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

Headlines

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

Page 24

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2011. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	Our audit has identified a number of adjustments to the draft financial statements, however these are all classification errors and as such have no impact on the overall reported financial position or performance. This result demonstrates the high level of care and resource that the finance team put into preparing the financial statements and the working papers for audit. We have included details of all significant audit adjustments at Appendix 3.
Critical accounting matters	We have worked with officers throughout the year to discuss specific risk areas, particularly around the implementation of International Financial Reporting Standards (IFRS). The Council addressed the issues appropriately.
Accounts production and audit process	The quality of the accounts and the supporting working papers provided to us was excellent. Officers dealt efficiently with audit queries and the audit process has been completed to the planned timescales. It should be noted that this has been achieved whilst coping with the department restructuring and the transition to IFRS which resulted in a significant amount of additional work for ourselves and Finance staff. The Council has implemented almost all the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.
IT control environment	Our work has confirmed that we are again unable to rely fully on the operation of key automated controls within these systems. As a result of the additional IT audit work required both during and after the interim audit visit, we have agreed with management to charge an additional fee.
Completion	At the date of this report our audit of the financial statements is complete. Before we can issue our opinion we require a signed management representation letter. 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.
VFM conclusion	We have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
VFM risk areas	We have considered the specific VFM risks we set out in our VFM Audit Plan 2010/11. There are no matters which we need to bring to your attention.

Proposed opinion and audit differences

We identified one issue in the course of the audit that was considered to be material. However this was a classification error and has no impact on the financial position reported. The error has been corrected in the final set of financial statements.

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

Page 25

Proposed audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2011.

Audit differences

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

We identified one material misstatement, which has been adjusted by management, this was a reclassification and does not impact the reported numbers in the table on the right. There were no uncorrected audit differences, other than those which we believe to be clearly trivial.

The tables on the right show the Council's movements on the general fund for 2010/11 and the balance sheet as at 31 March 2011 as being the same for both pre and post audit versions of the financial statements.

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 2010/11	£m
£m	**Pre- and Post-audit**
Surplus or (deficit) on the provision of services	(68.0)
Adjustments between accounting basis & funding basis under regulations	61.3
Transfers (to)/ from earmarked Reserves	6.9
Increase/(decrease) in General Fund	**0.2**

Balance Sheet as at 31 March 2011		£m
£m	**Pre-audit**	**Post-audit**
Property, plant and equipment	991.5	993.3
Other long term assets	46.7	46.7
Current assets	163.8	163.8
Current liabilities	(118.0)	(118.0)
Long term liabilities	(618.8)	(618.8)
Net worth	**465.2**	**467.0**
General Fund	(13.9)	(13.9)
Other reserves	(451.3)	(453.1)
Total reserves	**(465.2)**	**(467.0)**

IT control environment

Page 26

The review of your IT control environment is now complete.

Results of our work confirm that we are again unable to rely fully on the Council's general IT control environment.

Work completed

When we reported in June, following our interim audit, we were not in a position to conclude on the Council's IT control environment.

We have now completed our review over the general IT control environment for the key financial systems. The results of our work confirm that we are again unable to rely fully on the operation of key automated controls within these systems.

Key findings

Following the findings of our 2009/10 audit, management worked hard to address the issues identified and have made significant improvements. However, the timing of the improvements means they were not implemented until the second half of the financial year. As a result, the improved controls were not in place for the whole year, which we require to be able to place reliance on the key automated controls.

In addition, although progress has been made there are still a number of issues which need further attention to strengthen the IT control environment. The assessments provided in the table to the right are therefore consistent with those issued last year.

The issues identified through our work are summarised below:

- There are limited informal monitoring procedures in place surrounding Council staff and Logica SAP support staff who have powerful user access rights within the SAP production environment. Although there are detailed contractual obligations in place between the two parties, from an audit point of view there are no adequate controls to gain comfort that this level of access has not been used inappropriately by an individual user e.g. to bypass operational segregation of duties controls, to directly change underlying data or to make unrecorded changes to the SAP production environment.
- For other in scope applications (e.g. Northgate SX3, Academy, IBS Open Revenues and Civica Icon) there are no formal monitoring procedures in place surrounding Council staff and third party remote application support providers who have powerful access rights within the live environments. Therefore the same potential concerns as noted above for the similar SAP issue also apply to the other systems.
- For all of the non-SAP key financial systems (i.e. Northgate SX3, Academy, IBS, Civica Icon and Simdell) there is an inappropriately large number of network user accounts with powerful access to the operating systems (and potentially the underlying databases). This means there is a much higher risk of this access being used to potentially cause loss or unauthorised amendment of key data and system downtime (intentionally or accidentally).

Aspects	2010/11 Assessment	2009/10 Assessment
Access to systems and data	2	2
System changes and maintenance	1	1
Development of new systems and applications	No new systems developed	No new systems developed
Computer operations, incl. processing and backup	2	2

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

IT control environment (continued)

Key findings (continued)

- There is a lack of formally documented program and configuration change management procedures for all key financial systems, including limited retention of documents evidencing completion of key stages. As a result of the lack of available evidence we cannot gain comfort that changes made to the production environments of all key financial systems covered here have been tested adequately and approved appropriately (both at the ‘change request’ stage and ‘go-live’ stage).
- Control failures have been identified around user administration procedures, in particular against timely removal of user access for staff leavers. In addition, there is a lack of a formalised and complete regular user access review process across all key financial systems. This means that we gain less assurance that appropriate segregation of duties within an application has been maintained throughout the financial year. Also, it was identified, in a small number of cases, that user accounts associated with staff leavers have not been used in accordance with the Council’s own security policies.
- There are no formal records retained to evidence that scheduled jobs or interfaces between key financial systems are monitored for successful completion. This increases the potential that failed automated job and data interfaces are not identified for resolution, leading to incorrect underlying financial data from incomplete jobs and reoccurrence of the same jobs / interfaces failing again on a regular basis.

The change in January 2011 from core IT operational support tasks being performed by Steria, the former outsourced support providers, to an in-house team at the Council has also caused some issues in the general IT control environment in the short term. This is principally as a result of the transition and the need to amend current processes and set up new procedures.

For example, the reason for the change management process for non-SAP financial systems failing as a control was partly due to a lack of evidence available to show that the process was working. This was as a result of Steria not handing over related records and documentation after the early termination of the Council’s contract with them. Also, the lack of adequate management around powerful user accounts at the Council network level seems to have stemmed from weak controls which Steria were previously responsible for.

Finally, although the key findings above state that the SAP system in particular is still not operating effectively, it should be clearly noted that it is not the system itself at fault for the identified failings, but instead some of the controls around the access, usage of and changes to the system are not as robust as required, to enable KPMG to place reliance on the IT controls.

Summary of effect of key findings on audit approach

It should be noted that the issues identified do not mean there have been fundamental failings in the day to day operation of the Council’s IT systems. Rather, the weaknesses we have continued to identify mean we cannot fully rely upon the operation of certain key automated controls to gain the assurance we require for our audit.

We therefore have needed to review and update our audit strategy and reassess how the risks arising from these IT results impacted on our approach.

As a result of the additional IT audit work required both during and after the interim audit visit, we have agreed with management to charge an additional fee. This fee will be offset against the cancelled 2010/11 audit projects and has the net effect of reducing the overall audit fees for 2010/11. A final fee analysis will be provided in our annual audit letter.

Critical accounting matters

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

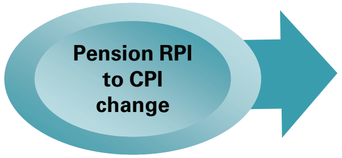
In our Financial Statements Audit Plan 2010/11, presented to you in February 2011, we identified the key risks affecting the Council's 2010/11 financial statements.

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
IFRS Conversion Process	**IFRS Conversion process** ■ The transition to IFRS represents the largest change in accounting for a number of years. ■ Accounting under IFRS impacts on a number of different areas, in particular property, plant and equipment, leases, employee benefits and group accounts. ■ The Council will require a lot of planning and resources to ensure a smooth and successful transition to IFRS.	■ Following on from our work carried out at interim we have reviewed the material figures and disclosures in the year end accounts relating to the IFRS conversion. ■ We have not identified any issues. ■ The Council provided detailed working papers to explain the transition.
Financial standing / MTFP	**Financial standing/medium term financial planning** ■ Local authorities are facing unprecedented pressure on their finances following the recent Government funding settlement. ■ There is a risk that reductions in staff and increased workload will impact on the operation of financial controls and the accounts closedown process.	■ We have considered the Council's approach to medium term financial planning and its general financial standing through our work on the VFM conclusion. ■ We have reviewed exceptional costs arising from redundancies as part of our financial statements audit. ■ We have not identified any issues.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
	**Pension RPI to CPI pension change** ■ In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). ■ As CPI is generally expected to be lower than RPI in the long term this should in turn lead to lower pension increases in deferment as well as payment. Furthermore the cost of benefit accrual will also be correspondingly lower. ■ The Urgent Issues Task Force (UITF) issued abstract 48 on 20 December 2010 which provides additional guidance on the accounting treatment. The Abstract states that an entity must identify whether its existing obligation is to pay benefit increases based on RPI ("an RPI obligation") or more generally inflation-linked increases. An RPI obligation may be within the formal terms of the scheme or a constructive obligation arising from a public statement or past practice which has created a valid expectation in members of RPI increases.	■ If an entity has an RPI obligation and changes it, this is a benefit change and any reduction in scheme liabilities is accounted for as a past service cost in accordance with IAS 19. (There would be no reduction in scheme liabilities if an obligation was changed only for future service benefits.) The effect is recognised in the accounting period when any necessary consultations have been concluded or, in the case of a constructive obligation, when employees' valid expectations have been changed. ■ We have confirmed that this is how the actuary has treated the move from RPI to CPI. We have confirmed that the inflation rate of RPI was not referred to in the scheme terms and conditions however RPI has been referred to and inferred in the past in correspondence with members (thereby creating a 'valid expectation'). ■ Therefore we agree with the treatment of the change from RPI to CPI as a change in assumed benefits and for the negative past service cost of £103m to be included in Non distributable costs. The Council apportioned this cost across the service lines in the draft accounts but has made an adjustment for this error. ■ The year end pension liability has reduced from £565m to £311m.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
Accounting for schools	**Accounting for schools** ■ During 2008/09 and 2009/10, audit adjustments were made to the accounts to ensure the correct accounting of the disposal of assets for foundation schools. ■ In addition, we identified a number of control weaknesses surrounding the reconciliations of year end school balances.	■ The Council reviewed the accounting treatment for Voluntary Aided and Voluntary Controlled schools in 2010/11 and has excluded these assets from the balance sheet. The guidance available for 2010/11 is not explicit and relies on authorities making their own judgement of their circumstances. We consider that the Council's treatment is reasonable given the guidance currently available. ■ Weaknesses were again identified in the year end bank reconciliations for schools and our prior year recommendation has been reiterated in Appendix 2.
Financial systems	**Financial systems** ■ During our 2009/10 audit we identified a number of concerns over the operation of controls on the new SAP system. ■ As a result, we performed additional substantive testing for the year-end 2009/10 audit.	■ We have completed a review of the IT control environment during 2010/11 and concluded that we are again unable to rely fully on the operation of key automated controls within the IT systems. This has been reported in pages 5 and 6 of this report. ■ The recommendations arising from our review of the IT control environment are detailed in Appendix 1.

Accounts production and audit process

We have noted that the accounts and the supporting working papers were well prepared and of an excellent standard.

Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

The Council has implemented almost all of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Page 31

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the 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 a structured financial reporting process which provides reasonable assurance that the accounts are prepared to a good standard. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 29 June 2011.
Quality of supporting working papers	Our *Prepared by Client* list, which we issued on 27 April 2011 and discussed with Finance staff, sets out our working paper requirements for the audit. The quality of the working papers provided was excellent. The working papers requested by KPMG as part of the accounts audit protocol were all provided by finance on time. The working papers were clearly referenced and a good trail existed.
Response to audit queries	Staff were available when required throughout the audit. All additional audit queries were resolved in a reasonable time.

Prior year recommendations

In our *Interim Audit Report 2010/11* we commented on the Council's progress in addressing the recommendations in our *ISA 260 Report 2009/10*.

The Council has now implemented almost all of the recommendations in our *ISA 260 Report 2009/10* relating to the financial statements.

Appendix 2 provides further details.

Completion

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.

Page 32

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

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

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Wiltshire Council for the year ending 31 March 2011, 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 4 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 included a copy of a representation letter as Appendix 5. We have provided a template to the Chief Financial Officer. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

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

There are no others matters which we wish to draw to your attention.

New VFM audit approach

We followed a new VFM audit approach this year.

Our VFM conclusion considered 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.

Page 33

Overview of the new VFM audit approach

For 2010/11, 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.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

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	✓

Appendix 1: Key issues and recommendations

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 recommendations.

We will formally follow up these recommendations next year.

Page 34

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

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❶	**Direct changes to live environment – SAP** Although it was identified that the SAP live environment was currently locked for direct unrecorded changes, there is no alerting or tracking process in place to note when it needs to be unlocked for direct change. This is principally required for changes needed to configure settings within the live environment. The ability to unlock the SAP production environment for direct unlogged changes is limited to powerful users. However, as noted in recommendation number two, the monitoring process in place around these powerful users is informal (for both Council and third party staff), therefore currently there is no formal record retained when these types of changes are required to be made. **Recommendation** Introduce immediate logging / alerting of when the SAP production environment needs to be unlocked for direct changes to be made and ensure an adequate audit trail is recorded and retained every time for independent review of appropriateness.	Council policy requires changes to follow a prescribed process of being piloted in a Development system, before undergoing User Acceptance Testing in the Quality Assurance system. Once testing is complete and signed off by stakeholders the change is transitioned into live under change control. Changes to SAP are logged and are reported on in the Council's ICT service management tool. It is standard practise to keep SAP live locked for direct changes unless a tested, signed off change is raised under the change control process (as described and monitored above). Rights to unlock SAP are restricted to a small pool of SAP specialists. **Due date:** Now addressed and completed

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	❶	**Monitoring of powerful application user accounts** ***SAP*** The number of users allocated to the powerful SAP_ALL role has decreased from last year. However, the overall number of user accounts given powerful access within SAP via other methods (e.g. the ability to use higher level functionality) should be lowered further, as some were identified during the audit work as not requiring this higher level of access. Although detailed logging was enabled within SAP for a small number of these powerful users, this was not started until November 2010 and due to internal logistics and low number of technically trained staff, no formal review procedure of these logs could be implemented. It is noted that third party SAP support company Logica started providing internally generated logs on a monthly basis from June 2010 onwards for review by the Council, giving login details around the use of the six SAP_ALL user accounts allocated to them. However, these logs are reviewed on an informal basis and do not contain details of what the usage was for. **Recommendation** Continue to identify where powerful user access can be removed if it is not deemed absolutely necessary. Also, consider the use of real-time alerts when non-Logica powerful user accounts are used for 'appropriate use' type review, and request usage details in the Logica-provided logs for a more focused review (including a more formal / documented sign-off process).	A full review of SAP super users was undertaken following the previous audit, and numbers of users were reduced to those who had essential need for the SAP_ALL role Access reviews will continue monthly with annual reviews of super user access. The Council has a documented process for monitoring the assignment of the SAP_ALL profile to SAP users. This includes when SAP_ALL is removed and added to a user's profile. The original list of SAP_ALL accounts has been enhanced by an Excel report which shows historic data. This report is reviewed and updated monthly. Other high levels of authorisation are monitored by a standard SAP report **Due date:** Now addressed and completed

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3a	❶	**Change management procedures** ***SAP*** Although a change process flow was in place through the year, it was not formally documented as a procedure. This meant that the key stages (e.g. change request approval, results of testing, go-live approval, etc.) were not formally signed off. However, it is appreciated that a more formal and documented change management process is currently being discussed and agreed with Logica, which will create an adequate trail of appropriate sign-off at each key stage. **Recommendation** Ensure the new process agreed between Logica and the Council includes an adequate level of sign-off by appropriate staff at each key stage and that this is formally documented and retained for future reference.	Changes to SAP follow the ICT change management process and are logged in the ICT service management tool. These records are retained for future reference. A process is in place to capture change details, testing processes and completion, required sign-off etc in a standard template. To improve the efficiency of the process, functional process owners are now required to sign off changes in addition to IT specialists. **Due date:** Now addressed and completed

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3b	❶	**Change management procedures** ***Civica Icon systems, revenues and benefits systems and Simdell*** No evidence is retained to support that testing was undertaken internally of vendor issued patches/releases or that formal communication is made with the relevant vendor to approve migration of these changes into the related systems live environment. Also, evidence could not be produced to show appropriate internal approval had been made for each sampled change prior to making the relevant change. Although remote access into the relevant production environment for each system (not relevant for Simdell) is via a secure connection, it was noted that the network accounts used by each vendor were enabled for use, at the time of our audit, for all systems. Council policy states that these types of accounts should only be activated for a short period of time when support work is required and approved. These accounts were also noted as not being subject to password change. **Recommendation** Ensure Council policies around change management are adhered to with regards to recording / retention of documentation produced for each key stage in the change management process and also for the default disabling of network user accounts used by third party support providers for remote access.	Testing is completed on Civica Icon prior to changes to the live system under the change process described in answers above. Going forward documentation will be maintained to detail testing. Following the IT restructure, change management has been enhanced and will be adhered to. Required documentation will be produced and retained as appropriate. Monitoring is in place to ensure that this occurs. Standard policy is for 3rd party access to be enabled and disabled according to need. **Due date:** Now addressed and completed

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
4	❶	**Use of shared accounts for application administration duties** ***Revenues and benefits systems*** It was noted across all four revenue and benefit systems that system administration duties are performed using at least one shared generic account, albeit by a small number of known Council staff with the relevant passwords changed on a regular basis. Exceptions to this however were identified as follows: ■ password for the powerful AISDBA user account for Academy (South) is not subject to periodic change; and, ■ two out of the three powerful user accounts in IBS Open Revenues are not actively used and should at least be locked, if not considered for deletion. There is no independent monitoring / review process in place over usage of these powerful user accounts, including those used by relevant third party support providers. ***Civica Icon systems*** Four generic accounts with system administration privileges were identified within the Civica Icon Workstation system, where login credentials were stated to be unknown and not documented, with only one being known as to its actual use. In addition, 25 accounts with system administration privileges were identified within the Civica Icon Webpay system, five of which were not associated with an individual user and 15 of which were confirmed by the system administrator as no longer required. ***Simdell*** One generic powerful user account was identified as being used by both the system administrator and the third party support provider. Although only a small number of known people use this account, the password was stated as not being changed over the last few years. Also, there is no independent monitoring / review process in place over usage of this powerful user account. **Recommendation** Review all current user accounts with system administrator privileges for appropriateness of ongoing use. Create separate assigned powerful user accounts between the system administrator and the third party support provider. Also, introduce a regular independent monitoring process over these powerful user accounts (especially those used by the third party support provider).	***Revenues and benefits systems*** Currently in the process of implementing a new system and access controls will be reviewed as part of the set up. **Due date:** Jan 2012 but currently in progress ***Civica icon*** Users have been reviewed since the audit, as part of the regular systems reviews, and high level access has been removed To ensure only appropriate access. This will be regularly reviewed under the new processes. **Due date:** Now addressed and completed ***Simdell*** In process of implementing a new system and the access controls will be reviewed as part of the set up. The system password is hard coded into critical processes. A password change is complex and may easily impact infrequently run processes, affect mission critical services potentially occurring weeks or even months after the password was changed The feasibility of a password change is being investigated. **Due date:** July 2012

Page 38

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
5	❶	**Use of shared accounts for database administration duties** ***Revenues and benefits systems*** Access control deficiencies were noted against the underlying databases across all four revenue and benefit systems as follows: ■ for Northgate SX3, 240 accounts were identified as being active, the majority of which the actual use could not be ascertained; ■ for Academy (West), four generic accounts were identified, three of which are not subject to password change . However, one of the accounts was deleted during the audit; ■ for Academy (South), three generic accounts were identified, two of which are not subject to password change; and ■ for IBS, one generic account was identified which was not subject to password change. It was also identified that there is no independent monitoring / review process in place over usage of these powerful user accounts, including those used by relevant third party support providers. ***Civica Icon Workstation*** Three generic user accounts with powerful direct access to the underlying database to Civica Icon Workstation were identified as not being subject to periodic password change. It was also identified that there is no independent monitoring / review process in place over usage of these powerful user accounts, including those used by the third party support provider. **Recommendation** See comment made against issue number four, and in particular for Northgate consider immediate review and reduction in the number of excess accounts, especially in the development stage of the new Northgate system in December.	***Revenues and Benefits*** A new system is being implemented with a target live date of November 2011. The number and type of accounts will be monitored and managed. The generic accounts are often required to enable key application processes and interfaces to other applications to run. Generic account management is being reviewed and has been improved on the Council's SQL database resource for example. These principles are being applied to the new Revenues and Benefits systems. In some cases accounts cannot be deleted without losing audit trails. Therefore unused accounts will be disabled. **Due date:** Nov 2011 ***Civica*** The system requires a limited number of standard passwords in order to operate. This is according to standard vendor configuration.

Page 39

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
6	❶	**Domain / server administrator access** ***Network*** It was identified that 178 active network user accounts were assigned powerful network domain administrator level access to the primary Council network. Of these, a total of 52 were not assigned to any specific individual (i.e. classed as generic) and 49 are not subject to periodic password change. It was noted through discussion with Information Security staff that an exercise was currently in progress to identify where this access was not appropriate to reduce the total number. The exercise also includes enforcement of complex passwords on these powerful network user accounts which will become subject to periodic change. It was also identified that 260 active network user accounts were assigned powerful server administrator level access across all servers within the Council server population (including those relating to key financial systems, excluding SAP). Of these, a total of 41 were not assigned to any specific individual and 40 are not subject to periodic password change. Further discussion with Information Security staff identified that for the generic accounts noted above, the password details for an unknown number had been mislaid during handover process of IT operational service provision from Steria to the Council. The above noted exercise also includes the need to reset these password details. **Recommendation** Ensure continuance of the internal review and update procedures noted above, ideally to be completed as soon as possible and reduce the number of domain and server level administrator accounts to appropriate and acceptable levels.	Administrator accounts are used by some systems to allow them to run specific services that allow automated business functions to operate. Hence these accounts are not assigned to individuals. Due to the complexity of the services they run it is extremely difficult, high risk and time consuming to change. For example data transfer processes may rely on an account. Administrator accounts are being reviewed as staff are allocated new roles in the ICT restructure. Processes are in place to ensure new applications/services are implemented with permissions/account subject to appropriate control. The review of accounts and account permissions will be an ongoing process for both Information Services (operational) and the Information Assurance team (assurance). **Due date:** Now addressed and completed

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
7a	2	**User access reviews** ***SAP*** Although it was noted that a review of finance related SAP users for appropriate allocation of access was performed early in 2010/11, this was the only internal function against which an access review was performed. ***Revenues and benefits systems*** For three of the four revenue and benefit systems (Academy South, Academy West and IBS Open Revenues), no regular user access review is formally undertaken to confirm the ongoing appropriateness of current access assigned to each user. For Northgate SX3 although it was stated that a bi-annual review is undertaken, no documentation is retained to evidence performance of this. ***Civica Icon systems and Simdell*** No regular user access review is formally undertaken to confirm the ongoing appropriateness of current access assigned to each user. **Recommendation** Review the access assigned to all users on at least an annual basis to ensure the ongoing appropriateness of user access and ensure formally recorded and appropriately signed-off documentation is retained to support performance of this review.	User access is now reviewed and reported on at least annually. For all live finance systems access reviews have or are scheduled to be undertaken. **SAP:** A review was undertaken in 2010/11. This will be reviewed, now under the normal annual policy. **Due date:** Now addressed and completed **Revenue and benefits system**: Access reviews for the new Revenues and Benefits system and housing system will be carried out during implementation. Revenues and Benefits is scheduled to go live November 2011 and Housing March 2012. Performing or coordinating access reviews for finance systems will be the responsibility of the customer access officer to ensure this work is maintained. **Due date:** Currently ongoing - Nov 2011 and March 2012

Page 41

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
7b	2	**User access reviews** ***Network*** Whilst it was noted that network access assurance reviews are performed by the Information Security team, a number of related findings confirm that despite this review process there still appears to be a number of network user accounts that need further attention, as follows: - 2,965 accounts never logged into; - 490 accounts where the password cannot be changed; - 1,256 accounts where the password never expires (361 which are active); - 2,857 accounts that are disabled (and could therefore potentially be removed); - 48 accounts that are locked (and could therefore potentially be removed); - 178 active domain administrators; - 260 active server administrators; and - 53 accounts remaining active for staff that have since left . It is appreciated however that there is expected to be a significant amount of effort required to formally review the ongoing appropriateness of all these user accounts before identifying which can be deleted. **Recommendation** Ensure continuance of the overall network user access review process, with particular focus on the more powerful user accounts.	Information Assurance will be focusing on performing a review of accounts. Information Services will continue to monitor system activity and take operational actions where required. (see 7a answer above) **Due date:** Now addressed and completed

Page 42

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
8a	2	**Removal of user access for staff leavers** ***SAP*** Comparison of HR-sourced leavers list to the full SAP user list identified a small number of SAP user accounts that had remained unlocked and available for use after a member of staff had left. Furthermore, 21 of these SAP user accounts initially appeared to have been accessed after the stated HR leave date. Further investigation identified that adequate reasons were ascertained for most of them (e.g. rehire, incorrect HR leave date, late return of IT equipment, etc.), apart from four in particular that could not easily be explained. Given the total number of SAP users we acknowledge that the level of identified discrepancies is relatively small. However, a single case has the potential to cause problems and therefore the Council should aim to have no such discrepancies at all and further investigate the four noted above. ***Network*** Comparison of HR-sourced leavers list to the full network user list identified 53 network user accounts that had remained unlocked and available for use after the member of staff had left. Furthermore, 22 of these user accounts appeared to have been accessed after the stated HR leave date. It was also noted that an additional four network domains are still in existence as a legacy of the Council's pre-unitary structure. Whilst the process for removal of network user access covers the primary Council network domain, it is not performed on these four legacy network domains. **Recommendation** Review the current access removal process to identify where potential improvements could be made to revoke access in a timely manner for user accounts relating to staff leavers and changes in staff position/role. Also, investigate the apparent unauthorised use of network user accounts of staff leavers in 2010/11 after they have left the Council.	**SAP** The SAP team is piloting a process to monitor leavers and movers daily. This involves comparing HR records with user status. Where HR records show a leaver the account is disabled. **Due date:** Now addressed and completed The Council has migrated user and PC accounts to a single domain. An ongoing project to consolidate the remaining services into a single domain is due to complete December 2011. Where possible misuse of accounts is identified and a security incident is raised and investigated according to the information security policy. If successful the SAP process being piloted will be extended to cover network and other application access. **Due date:** Ongoing - December 2011

Page 43

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
8b	2	**Removal of user access for staff leavers** ***Revenues and benefits systems, Simdell*** System administrators are only made aware of staff leavers at the discretion of individual line managers i.e. information is not sourced directly from HR. Analysis of Simdell identified three user accounts relating to staff leavers that had not been disabled at the time of testing – last login details could not be provided for these user accounts. ***Civica Icon (Webpay)*** The Webpay system does not store user name details against individual user accounts, which are set up using the format 'first name and initial of surname'. As a result of this, system administrators cannot viably identify system users and therefore cannot remove access for staff leavers. Relevant testing could also not be performed by KPMG due to this limitation. **Recommendation** For Simdell and the revenues and benefits systems, amend the leavers notification process to at least include a regular check (e.g. monthly) of a HR-sourced leavers listing against a full user account listing. For Civica Icon (Webpay), undertake a full review of all current user accounts to identify those that are no longer required and adequately rename the remainder to facilitate a more robust access removal process.	A new process has been developed (see 8a above). If successful the pilot of the process to disable accounts in the SAP team will be extended to cover other applications and network access. Review of overall staff leavers process will be undertaken following the move of this pilot process to BAU. **Due date:** Ongoing Dec 2011

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
9	2	**Automated job schedule controls** ***SAP*** Review of SAP users with the ability to make changes to the automated job processing schedule identified ten users that did not require this level of access. Also, there is currently no formal sign-off or documentation retained to confirm that job completion monitoring checks have been performed. Reliance is placed upon finance staff to check whether scheduled jobs have been completed successfully. ***Revenues and benefits systems, Simdell and Civica Icon systems*** Apart from IBS, no formal documentation was identified as being in place outlining the configuration of automated jobs run within/from each system. Also, it was identified that no log is formally maintained to evidence the daily monitoring of automated jobs and although investigation was stated to occur upon job failures, no formal record of this is kept. **Recommendation** For SAP, ensure that access to control key jobs / interfaces is regularly checked and introduce a procedure to formally record when key jobs / interfaces are monitored for successful completion. For purposes of disaster recovery or the potential need for system rebuild, management should ensure that the configuration and set-up of key system jobs for the non-SAP systems is formally documented. Also, management should consider introducing a procedure to formally record when key jobs / interfaces are monitored for successful completion.	Interfaces between SAP and the new revenues and benefits system and housing system will be documented and made available for appropriate support staff to view. (Revenues and Benefits implementation date Nov 11) Access to controlling key SAP interfaces and jobs etc are being reviewed and managed. Interfaces between SAP and target systems are due to be investigated and addressed as part of the SAP improvement programme. **Due date:** Complete for SAP Nov 2011 for Revenue and Benefits

Page 45

Key issues and recommendations

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
10	2	**Access assigned to new/existing users** ***Revenues and benefits systems*** The process of requesting access for a new user includes the use of cloning an existing user as a base, creating a risk that the level of access assigned to the new user is not in line with expected requirements of their position. It was also noted there is not a formally documented 'access segregation of duties matrix' in place for any of the four revenue and benefits system that ideally should be used as reference when creating and amending users access, in order to check for and avoid any potential segregation of duty conflicts when assigning further access. ***Civica Icon Workstation*** From a sample of ten new user accounts created in the year, line manager approval documentation for seven in total could not be obtained. ***Simdell*** User access requests are sent via email to the system administrator for creation/amendment of access. These emails are not retained for future reference. **Recommendation** For the revenues and benefits systems, this procedure should be considered during the systems development stage of the new revenues and benefits system. For Civica Icon Workstation, review current process around new user account creation and ensure approval documentation is retained for at least 12 months to maintain a full audit trail. For Simdell, retain the user access requests and approval communications for at least twelve months before disposal to ensure a full audit trail is maintained.	Revenues and benefits system procedures will be reviewed as part of the new system implementation due in November 2011. **Due date:** Nov 2011 The new housing system will be set up with appropriate access rights and permission and is due for implementation March 2012. **Due date:** March 2011 All user access requests logged and approved in the ICT service management tool will be retained for at least 12 months. **Due date:** Now addressed with ongoing work

Page 46

Appendix 2: Follow up of prior year recommendations

The Council has implemented almost all of the recommendations in our *ISA 260 Report 2009/10.*

Page 47

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2009/10* and reiterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	7
Implemented in year or superseded	6
Remain outstanding (re-iterated below)	1

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2011
1	❶	**School bank reconciliations** The closedown procedures for the schools bank reconciliations were incorrect as they did not apply a strict 31 March cut-off. This resulted in April 2010 transactions being posted in the 2009/10 financial year which should have been omitted. While this did not impact upon the Income and Expenditure account or the General Fund balance, it did impact on balance sheet accounts. Given the number of schools controlled by the Council there is a risk that if left unaddressed this could lead to a significant misstatement. **Recommendation** The Central Finance department and the Department For Children and Education should work closely together to review the procedures for closedown of the schools' ledgers. These revisions should be clearly communicated to all the schools and appropriate quality control procedures implemented to ensure the bank reconciliations and ledger balances are accurate.	M Tiller / E Williams January 2011	**Outstanding** Sample testing of year end bank reconciliations identified three that did not have a cut off date of 31 March. It was also noted during the testing that only three of the bank reconciliations agreed perfectly, with the remaining bank reconciliations having insignificant differences. **Management response update Sept 2011** A revised set of guidance notes were issued by Accountancy to Schools during 2010/2011. This led to a substantially improved performance from 2009/2010. The process is one of continuous improvement and so the guidance notes will be reviewed again and improved in terms of clarity and significance where appropriate in time for the 2011/2012 closedown. **Responsible officers:** Elizabeth Williams and Matthew Tiller **Due date:** March 2012

Appendix 3: Audit differences

Only one material audit adjustment was identified during the course of the audit.

There were no significant uncorrected audit differences.

Page 48

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

Management have corrected a number of presentational and disclosure issues identified during the audit.

We have identified one significant audit difference during the course of our audit which has been adjusted in the financial statements. This is set out in the table below.

Impact					Basis of audit difference
Income and expenditure statement	Adjustments btw. accounting basis & statute	Assets	Liabilities	Reserves	
Dr Cost of Services £103m					The change from RPI to CPI resulted in a large one-off adjustment to past service costs. This adjustment was incorrectly apportioned over the service headings and should have been disclosed in the Non-Distributed Costs line. This is a classification error and therefore has no impact on the total net cost of services.
Cr Non distributed costs £103m					
£0	**-**	**-**	**-**	**-**	**Total impact of adjustments**

Uncorrected audit differences

There were no uncorrected audit differences, other than those which we believe to be clearly trivial.

Appendix 4: Declaration of independence and objectivity

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

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.

Appendix 4: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the 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 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 2011, 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.

Appendix 5: Draft management representation letter

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.

Page 51

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Wiltshire Council ("the Council") and of the pension fund, for the year ended 31 March 2011, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of the Council as at 31 March 2011 and of the Council's expenditure and income for the year then ended;

ii. give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, 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 and the Net Assets Statement and the related notes.

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

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

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Council 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 require adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the pension fund financial statements as a whole. A list of uncorrected misstatements is included in the pension fund ISA 260 report.

Appendix 5: Draft management representation letter (continued)

Information provided

5. The Council 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 Council for the purpose of the audit; and
   - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Council 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 Council acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

   The Council 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. Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

8. The Council has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Council 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.

9. The Council 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. Further, the Council 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 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Council has disclosed to you the identity of the Council'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.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as the Council 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.

11. On the basis of the process established by the Council and having made appropriate enquiries, the Council is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

Appendix 5: Draft management representation letter (continued)

The Council 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 28 September 2011.

Yours faithfully,

Roy While
Chairman of the Audit Committee

Michael Hudson
Director of Finance

Appendix 5: Draft management representation letter (continued)

Appendix A to the Management Representation Letter of Wiltshire Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- Movement in Reserves Statement for the period
- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of 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.

A housing authority shall present:

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

A billing authority shall 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 shall be prepared by the local authority that administers the scheme:

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

The financial statements of a defined benefit pension fund in England and Wales shall 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.

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size 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.

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.

Appendix 5: Draft management representation letter (continued)

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

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:

a) was available when financial statements for those periods were authorised for issue, and
b) 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".

Related party

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:

a) 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
b) 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

28 SEPTEMBER 2011

WILTSHIRE COUNCIL: STATEMENT OF ACCOUNTS 2010/2011

Purpose of Report

1. To present the Statement of Accounts in respect of the 2010/2011 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 2003, and the 2011 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 format of the Statement of Accounts has been amended this year in line with the new requirements of International Financial Reporting Standards (IFRS). A revised set of IFRS compliant accounting policies were approved by Audit Committee on 23 March 2011.

5. The regulations for the adoption of the Statement of Accounts have been amended since last year. There is no longer the requirement for Members to adopt the draft Statement of Accounts. There is still however, the requirement that the Statement of Accounts be certified by the Chief Finance Officer within three months of the financial year end (by 30 June 2011). 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 2011.

6. This new 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 still required to report on amendments from the Statement of Accounts submitted for audit to the final version presented to Members. This report is elsewhere on the agenda.

7. The Statement of Accounts is attached as Appendix A.

Key Issues Arising

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 may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

9. The overall surplus on the Comprehensive Income and Expenditure Statement is £132.860 million. This represents a deficit on the provision of services of £81.979 million and surpluses on revaluation of property, plant and equipment assets, and actuarial gains on pension assets of £214.839 million.

10. The deficit on the provision of services 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.

11. Once these technical adjustments have been undertaken, the return to reserves for the General Fund was £0.156 million. This is 0.05% above the revised net budget. Further details of this were reported to Cabinet on 14 June 2011 in the Revenue Outturn Report.

Risk Assessment

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

Equality and Diversity Impact of the Proposal

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

Environmental Impact of the Proposal

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

Financial Implications

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

Legal Implications

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

Recommendations

17. That the Audit Committee receive the Statement of Accounts for 2010/2011.

18. 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

19. The Audit Committee are aware of the Statement of Accounts for 2010/2011.

MICHAEL HUDSON
Chief Finance Officer

REPORT AUTHOR
MATTHEW TILLER – CHIEF ACCOUNTANT

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

Appendices:

Appendix A Statement of Accounts

Explanatory Foreword

1 Statutory Duty

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

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

2 Compliance with regulation

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

3 Contents

The Statement of Accounts comprises:

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

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

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

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

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

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

Notes to the Core Financial Statements follow these statements.

Additionally, the following supplementary financial statements are produced.

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

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

Auditor's opinion

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

Accounting Policies

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

4 Revenue outturn

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

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

The outturn variance on the General Fund is £773,000 below the revised net budget for 2010/2011. More details about the Council's revenue spending on services are given, with notes, in the Comprehensive Income & Expenditure Account and in note 28. The overall movement on the General Fund is a £159,000 return to reserves. More details are included in the Movement in Reserves Statement. The decrease on the Movement in Reserves statement is shown as £156,000. This represents the same figure as the £159,000 but reflects different roundings caused by the brought forward balances of the five former authorities.

5 Major variances

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

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

There were two major variations between budget and outturn.

- Firstly there was a £4.584 million overspend on Department of Community Services in relation to cost pressures, particularly in domiciliary care packages.

- Additionally, a re-profiling exercise was undertaken of the Capital programme during the year. This led to a reduced borrowing and associated revenue borrowing costs. This gave rise to a significant under spend in this area of around £5.5 million.

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

6 Managing Assets and the Capital programme

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

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

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

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

7 Council Reserves

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

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

Wiltshire Council
Where everybody matters

8 Managing our investments and borrowings

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

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

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

9 Pension Fund

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

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

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

10 2011/2012 and beyond

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

11 Feedback & further information on the content of these accounts

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

Further information about the accounts may be made to

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

or

centralfinanceyearend@wiltshire.gov.uk

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

12 Concluding remarks

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

M. Hudson

Michael Hudson, LLB(Hons), LLM, CPFA
Interim Chief Finance Officer (Section 151 Officer)
Wiltshire Council

28 September 2011

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

The Statement of the Chief Finance Officer

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

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

M. Hudson

Michael Hudson
Acting Chief Finance Officer
Wiltshire Council
28 September 2011

R White

Cllr Roy While
Chairman, Audit Committee
28 September 2011

ANNUAL GOVERNANCE STATEMENT

To be added once approved by members.

Independent Auditors' Report to the Members of Wiltshire Council

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

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

Respective responsibilities of the Chief Financial Officer and auditors

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

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

Scope of the audit of the financial statements

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

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

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

Basis of audit opinion

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

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

Opinion on financial statements

In our opinion the financial statements:

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

Matters on which we are required to report by exception

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

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

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

28 September 2011

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

Authority's Responsibilities

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

Auditors' Responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis of Conclusion

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

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.
We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

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

Certificate

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

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG

28 September 2011

Movement in Reserves Statement

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

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

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

Comprehensive Income and Expenditure Statement

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

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

Balance Sheet

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

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

Michael Hudson Interim Chief Finance Officer 28 September 2011

Cashflow Statement

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

	NOTES	2010/2011 £000	2009/2010 £000
Net (surplus) or deficit on the provision of services		81,979	64,016
Adjustments to net surplus or deficit on the provision of services services for non-cash movements		(78,696)	(101,032)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(6,944)	(7,740)
Net cash flows from Operating Activities	25	(3,661)	(44,756)
Investing Activities	26	36,710	61,336
Financing Activities	27	(40,287)	(15,124)
Net (increase) or decrease in cash and cash equivalents		(7,238)	1,456
Cash and cash equivalents at the beginning of the reporting period		14,389	12,933
Cash and cash equivalents at the end of the reporting period		21,627	14,389

Notes to the Core Financial Statements

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

Note 1 Accounting Policies

i. General Principles

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

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Provisions

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

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

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

Provision for Back Pay Arising from Unequal Pay Claims

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

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

Landfill Allowance Schemes

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

iv. Reserves

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

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

v. Government Grants and Contributions

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

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

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

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

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

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

Area Based Grant

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

vi. Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

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

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

Post Employment Benefits

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

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

- The Local Government Pensions Scheme, administered by Wiltshire Council.

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the gross redemption yield on the Iboxx Sterling Corporates Index, AA over 15 years, at the IAS1(valuation date, subject to the removal of recently re-rated bonds from the index).

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

- quoted securities – current bid price

- unquoted securities – professional estimate

- unitised securities – current bid price

- property – market value.

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

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- contributions paid to the Wiltshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. VAT

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

viii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of Corporate and Democratic Core (costs relating to the Authority's status as a multifunctional, democratic organisation) and Non Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale). These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

ix. Intangible Fixed Assets

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

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

x. Property, Plant and Equipment

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

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

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

- Infrastructure, community assets and assets under construction – depreciated historical cost

- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use value (EUV).

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

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

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the remaining useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – Straight line allocation over a useful life of 5 years

- Infrastructure – straight-line allocation over 60 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

xi. Investment Property

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

xii. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service

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

- amortisation of intangible fixed assets attributable to the service.

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

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

xiii. Revenue Expenditure Funded From Capital Under Statute

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

xiv. Leases

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

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

The Authority as Lessee

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

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received)

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

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

xv. Financial Instruments

Financial Liabilities

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

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

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

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

Loans and receivables

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

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

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

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

Available-for-Sale Assets

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

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

xvi. Inventories and Long Term Contracts

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

xvii. Interest in companies and other entities

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

xviii. Private Finance Initiative (PFI)

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

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

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

i. Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

ii. Finance cost – an interest charge made on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

iii. Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

iv. Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

v. Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

xix. Exceptional Items

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

xx. Cash and Cash Equivalents

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

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

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

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

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

xxii. Events after the Balance Sheet Date

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

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

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

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

xxiii. Non-Compliance with Code of Practice

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

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

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

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

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

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

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

Note 3 Critical Judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- An Authority invested a total of £12m in Heritable and Landsbanki banks before they both collapsed in 2008. Further details of the impacts of this are in note 58.

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

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

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

Item	**Uncertainties**	**Effect if Actual Results Differ from Assumptions**
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 Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. The total depreciation charge made in 2010/2011 on PPE assets was £38m so if the assumptions were to change this could have an effect on the amount of depreciation charged in future years.
Provisions	The Authority has made a provision of £1.569m for the settlement of pay reform, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable. Further information is found in note 22.	An increase over the forthcoming year of in either the total number of claims or the estimated average settlement would each have the effect of adding to the provision needed
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 Authority with expert advice about the assumptions to be	The effects on the net pensions liability of changes in individual assumptions can be measured and further details of the assumptions are in note 47.

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

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

Note 5 Material items of income and expense

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

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

Note 6 Events after the Balance Sheet Date

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

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

Note 7 Adjustments between accounting basis and funding basis under regulations

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

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

Reserve 2010/2011	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
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	(15,398)	(8,444)				(23,842)	23,842	0
Charges for impairment of plant, property and equipment	(136,692)	(13,002)				(149,694)	149,694	0
Charges for impairment of investment properties	(18,138)					(18,138)	18,138	0
Revaluation losses on Property Plant and Equipment	8,536					8,536	(8,536)	0
Movements in the market value of Investment Properties								
Amortisation of intangible assets	(2,505)					(2,505)	2,505	0
Capital grants and contributions applied	0					0	0	0
Movement in the Donated Assets Account								
Revenue expenditure funded from capital under statute	(20,806)					(20,806)	20,806	0
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(54,033)	684	(5,957)			(59,306)	59,306	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	11,645					11,645	(11,645)	0
Capital expenditure charged against the General Fund and HRA balances	1,046	1,469				2,515	(2,515)	0
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	72,868				(72,868)	0		0
Application of grants to capital financing transferred to the Capital Adjustment Account					49,628	49,628	(49,628)	0
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement								
Use of the Capital Receipts Reserve to finance new capital expenditure			8,494			8,494	(8,494)	0
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals								
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(774)		774					
Transfer from Deferred Capital Receipts Reserve upon receipt of cash								
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	170		(295)			(125)	125	0
Adjustment primarily involving the Major Repairs Reserve								
Reversal of Major Repairs Allowance credited to the HRA		3,505		4,939		8,444	(8,444)	0
Use of the Major Repairs Reserve to finance new capital expenditure				(5,450)		(5,450)	5,450	0
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	2,329					2,329	(2,329)	0
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 47)	53,747					53,747	(53,747)	0
Employer's pensions contributions and direct payments to pensioners payable in the year	30,485	1,208				31,693	(31,693)	0
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	583					583	(583)	0
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0					0		0
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	5,673	2				5,675	(5,675)	0
Total Adjustments	(61,264)	(14,578)	3,016	(511)	(23,240)	(96,577)	96,577	0

Note 8 Transfers to/ from Earmarked reserves

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

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

Note 9 Other Operating Expenditure

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

Note 10 Financing and Investment Income and Expenditure

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

Note 11 Taxation and Non Specific Grant Income

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

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

Note 12 Property, Plant and Equipment

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

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

Fixed Asset Valuation

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

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

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

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

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

	Council Dwellings & Garages £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
Valued at historical cost	0	8,176	14,744	223,022	6,346	56,024		308,312
Valued at current value in:								
2010/2011	154,749	334,741	103,294				3,908	596,692
2009/2010		60,127						60,127
2008/2009	4,157	9,319						13,476
2007/2008								0
2006/2007		14,742						14,742
Book Value at 31 March 2011	**158,906**	**427,105**	**118,038**	**223,022**	**6,346**	**56,024**	**3,908**	**993,349**

Information about Depreciation Methodologies

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

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

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

Schools Assets

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

Components

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

Note 13 Investment Property

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

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

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

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

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

Note 14 Intangible Fixed assets

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

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

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

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

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

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

Note 15 Cash Overdrawn

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

Note 16 Exceptional items – Termination Benefits

Exceptional Items

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

Note 17 Construction Contracts

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

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

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

Note 18 Debtors

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

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

Note 19 Cash and Cash Equivalent

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

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

Note 20 Assets held for Sale

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

Wiltshire Council
Where everybody matters

Note 21 Creditors

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

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

Note 22 Provisions

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

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

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

Legal Costs

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

Insurance Claims

An insurance provision is accounted for when it is probable that a cost will be incurred and a reliable estimate of the cost can be made. The insurance provision for 2010/2011 is made up of 10 claims totalling £0.233 million. The provision levels are set in the following ways:-

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

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

The Authority self insures, with the Council meeting the first £0.1 million of each employers and public liability claim and between £0.1 million and £0.250 million for own property claims. There are other risks the Authority does not insure against and examples of these include computer breakdown and loss of computer data, and employment practices. It is currently expected that the all of these claims will be settled during 2011/2012.

Pay Reform

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

Termination Benefits

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

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

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

Other Provisions

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

Note 23 Usable Reserves

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

Note 24 Unusable Reserves

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

Note 24a Revaluation Reserve

Wiltshire Council
Where everybody matters

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

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

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

Note 24b Capital Adjustment Account

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

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

Note 24c Movement in Pension Surplus/ Deficit during the year

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

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000
Opening Defined Benefit Obligation	**1,123,578**	**482,981**
Current service cost	28,741	14,331
Interest Cost	57,851	48,967
Contributions by Members	9,129	8,403
Actuarial gains/(losses)	(169,161)	369,873
Past Service Costs/ (Gains)	(103,331)	219
Losses/ Gains on Curtailments	2,613	4,874
Liabilities Extinguished on Settlements		(2,804)
Liabilities Assumed in a Business Combination		234,007
Estimated Unfunded Benefits Paid	(3,362)	(3,443)
Estimated Benefits Paid	(21,433)	(33,830)
Closing Defined Benefit Obligation (A)	**924,625**	**1,123,578**

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000
Opening Fair Value of Employer Assets	**558,636**	**286,896**
Expected Return on Assets	39,621	26,589
Contributions by Members	9,129	8,403
Contributions by the Employer	28,331	20,592
Contributions in respect of Unfunded Benefits	3,362	3,443
Actuarial gains/(losses)	(1,082)	113,009
Assets Distributed on Settlements		(3,067)
Assets Acquired in a Business Combination		140,044
Unfunded Benefits Paid	(3,362)	(3,443)
Benefits Paid	(21,433)	(33,830)
Closing Fair Value of Employer Assets (B)	**613,202**	**558,636**
TOTAL MOVEMENT IN DEFICIT (A-B)	**311,423**	**564,942**

Note 25 Cash Flow Operating Activities

The cash flows for operating activities include the following items:

	2010/2011 £000	2009/2010 £000
Interest Received	9,352	9,116
Interest Payable	(2,408)	(1,376)

Note 26 Cash Flow Investing Activities

	2010/2011 £000	2009/2010 £000
Purchase of Property, plant and equipment,investment property and intangible assets	83,390	101,497
Purchase of short term and long term investments	21,129	5,003
Other payments for investing activities	0	0
Proceeeds from sale of property, plant and equipment, investment property and intangible assets	(6,251)	(5,416)
Proceeds from short term and long term investments	(1,960)	(39,748)
Other receipts from investing activities	(59,598)	
Net Cashflows from investing activities	**36,710**	**61,336**

Note 27 Cash Flow Financing Activities

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

Note 28 Amounts reported for Resource Allocation Decisions

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

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

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

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

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

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

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

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

	2010/2011 £000
Net expenditure in the Department Analysis	**345,588**
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	**95,208**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**(18,588)**
	0
Cost of Services in Comprehensive Income and Expenditure Statement	**422,208**

Reconciliation to Subjective Analysis

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

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

Note 29 Acquired and Discontinued Operations

There are no acquire or discontinued operations in this year.

Note 30 Significant trading services

The Council ran no significant trading services during the year.

Note 31 Agency income & expenditure

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

Note 32 Transport Act 2000

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

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

Note 33 Pooled Budgets

Partnerships Schemes under S31 Health Act

Joint Procurement Arrangement

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

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

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

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

Intermediate Care

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

Care in the Community

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

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

Note 34 Members' Allowances

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

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

Note 35 Officers' Remuneration

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

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

Notes:

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

The Council terminated the employment of 222 employees in 2010/2011 who became entitled to termination payments.
The salary scale point of 97 of these 222 employees was below £50,000 but their termination payments bring them into the reporting range for 2010/2011.

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

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

2010/2011 Remuneration for Senior Employees - Salary is £150,000 or more per year
(Included in Officer's Remuneration Bandings)

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

2009/2010 Remuneration for Senior Employees - Salary is £150,000 or more per year
(Included in Officer's Remuneration Bandings)

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

Subnote A:
K Robinson left Wiltshire Council on 9 February 2010. The 2009/2010 annualised salary was £161,324.
A Kerr replaced K Robinson on 10 February 2010 at an annualised salary of £183,000.

2010/2011 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year
(Included in Officer's Remuneration Bandings)

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

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

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

2009/2010 Remuneration for Senior Employees - Salary is less than £150,000 but equal to or more than £50,000 per year
(Included in Officer's Remuneration Bandings)

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

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

Wiltshire Council
Where everybody matters

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

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

Note 36 External Audit Fees

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

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

Note 37 Dedicated Schools Grant

Reserves & balances held by schools

Dedicated Schools Grant

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

Details of the DSG receivable in 2010/2011 are as follows

	Central Expenditure 2010/2011 £000	Individual Schools Budget 20102011 £000	Total 2010/2011 £000	Total 2009/2010 £000
Final DSG for 2010/2011	36,567	213,155	249,722	243,179
Brought forward from 2009/2010 (overspend)	(315)	(4,014)	(4,329)	(193)
Budget adjustment bought forward from 2009/2010	0	0	0	55
Carry forward to 2010/2011 agreed in advance	96	0	96	0
Agreed budget distribution (less net overspend from 2009/2010 to be recovered)	36,348	209,141	245,489	243,041
Actual Central expenditure	33,375	0	33,375	33,019
Actual ISB deployed to schools	0	209,141	209,141	209,926
Local authority contribution from 2010/2011	0	0	0	0
Carried forward to 2011/2012 (underspend)	(2,973)	0	(2,973)	(96)

Note 38 Grant Income

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

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

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

	31 March 2011 £000
Revenue Grants to be returned (Creditor)	
Other Grants	**(49)**
Total	**(49)**

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

	31 March 2011 £000
Capital Grants Receipts in Advance	
Other Capital Grants	**(11)**
Other Capital Contributions	**(50)**
Total	**(61)**

Note 39 Related Parties

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

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

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

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

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

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

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

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

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

Note 40 Capital Expenditure and Capital Financing

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

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

Note 41 Leases

Finance leases

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

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

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

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

Operating leases

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

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

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

Leases held as investments

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

Note 42 Private Financing Initiatives and similar contracts

North Wiltshire Schools PFI & additional 6th form units.

Introduction

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

Accounting treatment

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

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

Funding

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

PFI Smoothing Fund Earmarked Reserve

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

Income and Expenditure

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

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

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

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

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

Monkton Park Offices former PFI Scheme

Introduction

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

Accounting treatment

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

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

Recent Developments

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

Income and Expenditure

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

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

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

Note 43 Impairment Losses

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

Note 44 Capitalisation of Borrowing Costs

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

Note 45 Authorisation of Accounts for Issue

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

Note 46 Pension Schemes Accounted for as defined contribution Schemes

Teachers pension scheme

In 2010/2011 the Council paid £18.98 million to the Department for Education and Skills in respect of teachers' pension costs which represents 14.1% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2010/2011 these amounted to £2.21 million.

Note 47 Defined benefit Pension Schemes

Participation in Pensions Schemes

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

The authority participates in two pension schemes:

- The Local Government Pension Scheme for civilian employees, administered by Wiltshire Council – this is a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

- The Teachers' Pension Scheme – this is an unfunded scheme, meaning that there are no investments assets built up to meet the provisions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. The liability for this scheme falls upon central government.

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

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

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

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

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

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

Assets and liabilities in relation to Retirement Benefits

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

Local Government Pension Scheme	**31 March 2011 £000**	**31 March 2010 £000**
Fair Value of Employer Assets	**613,202**	**558,637**
Present Value of Funded Liabilities	(875,275)	(1,059,501)
Net (Under)/Overfunding in Funded Plans	**(262,073)**	**(500,864)**
Present value of Unfunded Liabilities	(49,351)	(64,078)
Unrecognised Past Service Cost	0	0
Net Asset/(Liability)	**(311,424)**	**(564,942)**
Amount on balance sheet		
Liability	**(331,424)**	**(564,942)**
Asset	**0**	**0**
Liability Amount in Balance Sheet	**(331,424)**	**(564,942)**

A more detailed breakdown is included in note 24c.

The Liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. Statutory arrangements for the funding of the deficit mean that the financial position of the Authority remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

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

Assumptions as at Year Ended:	**31 March 2011 % per annum**	**31 March 2010 % per annum**
Inflation/ Pension Increase Rate	**2.8%**	**3.8%**
Salary Increase Rate	**5.1%**	**5.3%**
Expected Return on Assets	**6.7%**	**7.0%**
Discount Rate	**5.5%**	**5.5%**

Assumptions on Mortality Rates

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

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

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

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

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

Amount to be charged to operating profit

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

Actuarial Gains and Losses

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

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

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

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

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

Note 48 Contingent Liabilities

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

Sewerage Scheme West Wiltshire Council Houses

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

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

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

Land Charges

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

Note 49 Contingent Assets

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

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

VAT – Off-Street Car Parking

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

Wiltshire Council
Where everybody matters

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

VAT – Fleming Claim

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

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

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

Note 50 Nature and Extent of risks arising from Financial Instruments

Risk

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

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

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

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

- The Authorised Limit for 2010/11 was set at £375.2 million. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £326.3 million. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 20%, respectively, based on the Council's net debt.
- the maximum and minimum exposures to the maturity structure of debt were set at 15% and 0% for less than one year and one to two years; 45% and 0% for two to five years; 75% and 0% for five to ten years and 100% and 0% for in excess of 10 years, respectively.
- These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically

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

The Council contracts with a treasury adviser, regularly reviewing credit ratings of potential organisations and their respective country's ratings incorporating all three main credit rating agencies, together with other 'tools' used to assess the credit quality of institutions such as credit default swaps. The Council uses this information to assess institutions with which it may place deposits or from which it may borrow, including interest rate forecasts for both borrowing and investment, together with setting a 'benchmark' borrowing rate. The Council's investment policy is 'aimed' at the prudent investment of surplus cash balances to optimise returns whilst ensuring the security of capital and liquidity of investments. However, as with the experience of Icelandic bank investments in October 2008, the Council, like any other organisation, can be exposed to financial risk. Examples of the main risks are shown below.

Credit Risk

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

Liquidity Risk

Liquidity Risk arises due to the uncertainty of liquidity in the market within which the Council "deals" and the Council's own liquidity position. The Council maintains a maturity analysis of financial assets and liabilities within its treasury management system and regularly monitors the maturity of assets and liabilities.

Market Risk

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

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

Refinancing Risk

Refinancing risk is the risk that the Council cannot, when required (e.g. to finance the Capital Programme), refinance by borrowing to repay existing debt because of the prohibitive rates for refinancing a loan. The majority of the Authority's borrowing is undertaken through the Public Works Loans Board (PWLB), a Government organisation that lends to local authorities. Information, including regular updates, provided by treasury advisers enables the Council to manage and monitor forecast borrowing rates and to support decisions in respect of the restructuring of loans.

Exposure to Risk - Summary Data

Credit Risk

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

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

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

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

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

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

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

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

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

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

UK banks include UK subsidiaries, the parent banks of which are based in Australia (Sovereign rating AA+) and Spain (Sovereign rating AA+). Investments in UK institutions, including the UK subsidiaries, make up 45% of the Council's total outstanding investments at 31 March 2011, with 9% invested overseas, the balance (46%) being held in money market funds. Any institutions, which, after 31 March 2011, no longer fall within the minimum investment criteria laid down in the Council's Annual Investment Strategy have subsequently been removed and any outstanding investments terminated at the earliest opportunity.

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

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

No credit limits were exceeded during the reporting period.

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

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

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

Liquidity Risk

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

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

At 31 March 2011 Wiltshire Council had a mixture of PWLB and market loans outstanding. The balance sheet gives details of the split between loans payable within one year and the spread of longer term loans (loans that are outstanding for more than one year). The following table shows the detailed maturity analysis of debt outstanding at the Balance Sheet date and the average rate of interest. The table shows that the overall average interest rate is 4.2%.

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

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

Market loans are Lender Option Borrower Option (LOBO) loans, which give the lender the option at certain dates to vary the interest rate, at which point the Council may choose to accept the new rate of interest or repay the loan and if necessary refinance the loan at a more favourable rate of interest. LOBOs are included within the period that reflects the contracted maturity date (as opposed to the option date) as recommended by SORP 2010. On this basis, all current LOBOs fall within the "More than 15 Years" maturity period.

Refinancing and Maturity Risk

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

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

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

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

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

Market Risk

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

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

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

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

Wiltshire Council is mainly exposed to interest rate risk (in terms of financial instruments, the Council has little or no exposure to equity risk, currency risk or commodity risk). At 31 March 2011 the Council held £82.2 million (including accrued interest, less impairment) in investments, at various interest rates. This comprised £79.2 million short term investments and £3.0 million investments classified as long term, being anticipated Icelandic deposits repayable in more than one year.

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

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

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

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

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

Note 51 Summary of Prior Year adjustments

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

Wiltshire Council
Where everybody matters

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

Prior Year Adjustments – Property, Plant and Equipment Reclassification

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

Prior Year Adjustments – Government Grants Capital

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

Prior Year Adjustments – Investment Properties

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

Prior Year Adjustments – Government Grant Revenue

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

Prior Year Adjustments – Accumulated Absences

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

Note 52 Useable Capital Receipts Reserve

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

Note 53 Trust Funds

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

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

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

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

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

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

Note 54 Long Term Debtors

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

Note 55 Long Term Borrowing

An analysis of loans by maturity is as follows:

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

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

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

Wiltshire Council
Where everybody matters

Note 56 Major Repairs Reserve

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

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

Note 57 Fair Value

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

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

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

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

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

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

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

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

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

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

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

Note 58 Impairment of Investments

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

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

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

Heritable Bank

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

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

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

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

Landsbanki Islands hf

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

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

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

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

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

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

Note 59 Financial Instrument Adjustment Account (FIAA)

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

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

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

Housing Revenue Account

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

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

Statement of Movement on the HRA Balances

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

Note to Statement of Movement on the HRA Balances

Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA balance for the year		2010/2011 £000	2009/2010 £000
Gain/(Loss) on sale of HRA fixed assets		684	372
Financing from Depreciation		0	0
Impairments of Fixed Assets		(13,002)	0
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	(4,939)	(5,050)
Transfer to/from Pension Reserve	note 7	1,208	39
Transfer to/from accumulated absences		2	
Transfer to/from Earmarked Reserves			0
Revenue Contributions to Capital Expenditure		1,469	0
Net Additional amount required by statute to be credited to the HRA balance for the year		(14,578)	(4,639)

Housing Revenue Account Notes

1 Housing Stock

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

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

2 Arrears

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

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

3 Movement of Housing Revenue Account Assets

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

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

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

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

The value of land valued in the HRA is nil.

4 Financing of HRA capital expenditure

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

Major Repairs Reserve

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

5 Breakdown of HRA Subsidy

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

6 Contribution to Pension Reserve

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

Wiltshire Council
Where everybody matters

The Collection Fund

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

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

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

Notes to the Collection Fund

1 Council Tax

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

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

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

2 National Non-Domestic Rates

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

3 Collection Fund Surpluses and Deficiencies

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

4 Precepts and Demands

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

5 Collection Fund Balance

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

	31 March 2011 £000
Wiltshire Council	(1,249)
Wiltshire Police Authority	(154)
Wiltshire Fire Authority	(60)
	(1,463)

Glossary

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

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

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

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

Assets
These can be either:

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

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

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

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

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

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

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

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

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

Wiltshire Council
Where everybody matters

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

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

Creditors
Money owed by the authority to others.

Debtors
Money owed to the authority by others.

Dedicated Schools Grant (DSG)
A central government grant paid to the council for the use for expenditure on schools.

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

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

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

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

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

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

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

Gross Expenditure
Expenditure before deducting any related income.

Housing Revenue Account (HRA)
The account which sets out the expenditure and income on the provision of housing. Other services are charged to the General Fund.

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

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

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

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

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

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

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

Net Expenditure
Gross expenditure less directly related income.

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

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

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

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

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

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

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

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

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

Revenue Expenditure
Day to day running costs of services.

Revenue Income
Day to day income received for services.

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

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

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

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

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

Value Added Tax (VAT)
An indirect tax levied on vatable goods and services.

Wiltshire Pension Fund

The Fund is administered by Wiltshire Council for local authorities within Wiltshire and other local government associated organisations. It meets the cost of pension benefits due to current and former employees of these organisations. The current membership as at 31 March 2011 included 19,456 active members, 11,343 pensioners and 17,883 deferred members.

Responsibility for the Report

Wiltshire Council

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

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

Wiltshire Pension Fund Committee

There are seven elected members of the Committee, comprising five Wiltshire Councillors and two Swindon Borough Council members. In addition, there are two representatives of the admitted bodies and two observers representing staff interests. Details of the membership of the Committee in 2010/11 are shown in the Wiltshire Pension Fund Annual Report.

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

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

Chief Finance Officer

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

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

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

Actuarial Statement

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

Description of Funding Policy
The funding policy is set out in the latest Wiltshire Council Funding Strategy Statement (FSS). In summary, the key funding principles are as follows:

- to achieve a funding level of 100%, both at the whole Fund level and for the share attributable to individual employers, with a timescale that is prudent and affordable;

- to ensure that sufficient liquid funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the costs of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue;
- to maximise the degree of stability in the level of each employer's contributions to the extent that the Administering Authority (in consultation with the actuary) is able to do so in a prudent and justifiable way;
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost effective.

The FSS sets out how the administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose convenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a better than 50% chance that the Fund will return to full funding over 21 years.

Funding Position as at the last formal valuation
The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £1,167 million, were sufficient to meet 74.6% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £396 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Methods used to value the liabilities
Full details of the methods and assumptions used are described in the actuary's report dated 25 March 2011.

Method
The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions
A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2010 valuation were as follows:

Financial Assumptions	Rate at 31 March 2010	
	Nominal	**Real**
Discount rate	6.1%	2.8%
Pay increase	5.3%	2.0%
Price Inflation/Pension increases	3.3%	0.0%

**plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.*

The key demographic assumption was the allowance made for longevity. As a member of the Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with medium cohort projections and a 1% p.a. underpin effective from 2010. Based on these assumptions, the average future life expectancies at age 65 are as follows:

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

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Wiltshire Council administering authority to the Fund.

Experience over the year since April 2010
The Administering Authority monitors the funding position on a regular basis as part of its risk management programme. The most recent funding update was produced as at 31 March 2011. It showed that the funding level (excluding the effect of any membership movements) remained broadly unchanged over 2010/11.

The next actuarial valuation will be carried out as at 31 March 2013. The Funding Strategy statement will also be reviewed at that time.

Audit

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

Investment Management Policy

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

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

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

The full list of managers as at 31 March 2011 were:

Company	**Mandate**	**Share of Fund**
Baillie Gifford	Global Equity	12.5%
Capital International	Global Equity	14.0%
Capital International	Absolute Income Grower (Equities / Bonds)	10.0%
Western Asset Management	Bonds	10.5%
ING Real Estate	Property	13.0%
Edinburgh Partners	Global Equities	10.5%
Fauchier Partners	Long-Short Equities	5.0%
Legal & General	Passive UK Equity	14.5%
Legal & General	Government Bonds	5.0%
M&G Investment Management	UK Companies Financing Fund	2.0%
Record Currency Management	Currency - Active	2.0%
Record Currency Management	Currency - Passive	1.0%

During the year, the managers transacted purchases of £856.1 million and sales of £809.2 million. The value of assets under management at 31 March 2011 was £1,276.3 million, broken down by managers as follows:

Capital International	£313.1	million
Legal & General	£276.7	million
Baillie Gifford	£176.2	million
ING Real Estate	£151.8	million
Western Asset Management	£140.6	million
Edinburgh Partners	£131.5	million
Fauchier Partners	£65.3	million
Record Currency Management	£16.4	million
M&G Investment Management	£4.7	million
Total	£1,276.3	million

		£ million	**% of Fund total**
Geographical analysis	United Kingdom	716.0	56.1
	North America	177.3	13.9
	Europe	125.8	9.9
	Japan	20.2	1.6
	Asia, ex Japan	19.5	1.5
	Other overseas	217.5	17.0
		1,276.3	100.0
Sector analysis	Equities	774.0	60.6
	Fixed interest bonds	198.7	15.6
	Cash & Derivatives	49.0	3.8
	Property	147.6	11.6
	Long-Short Hedge Fund	62.8	4.9
	Index linked bonds	44.2	3.5
	Currency Fund	0	0.0
		1,276.3	100.0

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

The Wiltshire Pension Fund

Fund Account **For the year ended 31 March 2011**	***Notes***	**2010/2011**	**2009/2010** **Restated ***
		£000	**£000**
Contributions and benefits			
Contributions receivable	*3*	86,210	84,975
Individual transfers		9,145	7,281
		95,355	92,256
Benefits payable	*4*	(61,418)	(61,115)
Payments to and on account of leavers	*5*	(6,889)	(9,065)
Administrative expenses	*6*	(1,343)	(1,321)
		(69,650)	(71,501)
Net additions from dealings with members		**25,705**	**20,755**
Returns on investments			
Investment income	*7*	27,691	26,846
Change in market value of investments	*9*	70,903	276,140
Investment management expenses	*10*	(4,049)	(2,359)
Net returns on investments		**94,545**	**300,627**
Net Increase in the fund during the year		120,250	321,382
Opening Net Assets of the Fund		1,166,548	845,166
Closing net assets of the Fund		**1,286,798**	**1,166,548**

The Wiltshire Pension Fund

Net Asset Statement At 31 March 2011	Notes	31-Mar-11	31-Mar-10 Restated *
		£000	£000
INVESTMENT ASSETS			
Fixed interest securities	9	126,432	113,515
Index linked securities		805	767
Equities		421,908	520,041
Pooled investment vehicles		530,502	358,674
Property		147,637	114,506
Derivative assets		5,568	2,156
Cash held on deposit		43,083	54,313
Other investment balances		3,861	4,780
		1,279,796	1,168,752
INVESTMENT LIABILITIES			
Derivatives liabilities	9	(3,450)	(10,269)
Total net investments		1,276,346	1,158,483
Current assets	11	12,891	9,610
Current liabilities	12	(2,439)	(1,545)
Net assets of the Fund at 31 March		**1,286,798**	**1,166,548**

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

* This the first year that International Financial Reporting Standards have applied to the Fund's financial statements. This includes a requirement to restate the opening balances, however as there are no material differences impacting on the 2009/10 accounts a single column is shown.

Notes

Forming part of the financial accounts

1. Basis of Preparation

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

This is the first year of applying International Financial Reporting Standards. There are no material differences impacting on the 2009/10 accounts on transition to the IFRS-based code. IAS26 requires the actuarial present value of promised benefits to be disclosed. A separate report has been prepared by Hymans Robertson and is enclosed below after note 16. The Chancellor's budget statement on 22 June 2010 declared that future pension increases should be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). The report after note 16 has been prepared on the CPI basis.

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

2. Accounting Policies

The principal accounting policies of the Fund are as follows:

Contributions

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

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

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

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

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

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

(i) **Quoted securities**
Quoted Securities have been valued at 31 March 2011 by the Fund's custodian using the bid price where a quotation was available on a recognised stock exchange or unlisted securities market.

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

(iii) **Pooled investment vehicles**
Pooled investments are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

(iv) **Fixed Interest Stocks**
Fixed interest stocks are valued on a clean basis. Accrued income is accounted for within investment income.

(v) **Derivative Contracts**
Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

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

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

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

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

Foreign Currency Translation
All investments held in foreign currencies are shown at market value translated into sterling using the WM 4PM rate on 31 March 2011.

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

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

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

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

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

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

Related Party Transactions

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

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

3. Contributions Receivable

	2010/2011	2009/2010
	£000	**£000**
Employer		
- Normal	49,026	47,898
- Augmentation	3,267	7,885
- Deficit Funding*	14,385	9,919
Members		
- Normal	19,148	18,695
- Additional Contributions	384	578
	86,210	**84,975**

Analysis of contributions receivable

	2010/2011	2009/2010
	£000	**£000**
Contributions from employees		
(Including Additional Contributions)		
- Wiltshire Council	9,120	9,257
- Other scheduled bodies	8,441	8,329
Admitted bodies	1,971	1,687
	19,532	**19,273**
Contributions from employers		
(Including Augmentations)		
- Wiltshire Council	30,492	34,403
- Other scheduled bodies	29,455	25,593
- Admitted bodies	6,731	5,706
	66,678	**65,702**
Total contributions receivable	**86,210**	**84,975**

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

4. Benefits payable

	2010/2011 £000	2009/2010 £000
Pensions	47,519	47,480
Commutation and lump sum retirement benefits	12,676	12,269
Lump sum death benefits	1,223	1,366
	61,418	**61,115**

Analysis of benefits payable	**2010/2011 £000**	**2009/2010 £000**
Pensions payable		
- Wiltshire Council	26,444	26,487
- Other scheduled bodies	18,183	18,405
- Admitted bodies	2,893	2,588
	47,520	**47,480**
Retirement and Death grants payable		
- Wiltshire Council	7,756	8,188
- Other scheduled bodies	4,597	4,502
- Admitted bodies	1,545	945
	13,898	**13,635**
Total benefits payable	**61,418**	**61,115**

5. Payments to and on account of leavers

	2010/2011 £000	2009/2010 £000
Individual transfer out to other schemes	6,890	8,908
Refunds to members leaving service	18	133
State Scheme Premiums	(19)	24
	6,889	**9,065**

6. Administrative expenses

	2010/2011 £000	2009/2010 £000
Administration and processing	1,070	1,018
Actuarial fees	235	178
Audit fees	34	61
Legal and other professional fees	4	64
	1,343	**1,321**

7. Investment Income

	2010/2011	2009/2010
	£000	**£000**
Quoted securities		
- UK fixed interest bonds	6,538	6,068
- Overseas fixed interest bonds	240	318
- UK index linked bonds	30	35
- UK equities	2,755	6,224
- Overseas equities	7,133	6,839
Pooled Investment Vehicles		
- UK equities	1	0
- Overseas equities	2,702	1,118
- UK fixed interest corporate bonds	915	972
- Overseas fixed interest bonds	421	0
- UK property	6,734	4,915
Cash held on deposit		
- Sterling Cash	217	337
- Overseas Cash	5	20
	27,691	**26,846**

8. Stock Lending

The Council participates in a securities lending programme administered by BNY Mellon. Securities in the beneficial ownership of the Council to a value of £10.0 million (0.8% of the total) were on loan at 31 March 2011. Collateral for these securities is held in a pooled form, the Wiltshire Pension Fund's share (0.61%) representing a value of £10.5 million (105.0%). Income earned from this programme amounted to £0.143 million in the year.

	2010/2011	2009/2010
	£m	**£m**
WPF Securities on loan	10.0	15.3
(percentage of total)	0.80%	1.30%
WPF Collateral share of pool	0.61%	0.56%
Value of WPF pooled share	10.5	16.3
Percentage of securities on loan	105.0%	106.2%
Income earned in year	0.143	0.184

9. Investments

Reconciliation of investments held at beginning and end of year

	Value at 01-Apr 2010 £000	Purchases at cost & derivative payments £000	Sales Proceeds and derivative receipts £000	Change in Market Value £000	Value at 31 March 2011 £000
Fixed interest securities	113,515	90,069	(77,929)	777	126,432
Index linked securities	767	11,642	(11,816)	212	805
Equities	520,041	162,518	(294,709)	34,058	421,908
Pooled funds:					
- Other	358,674	189,875	(41,155)	23,108	530,502
- Property	114,506	28,195	(2,447)	7,383	147,637
Derivative assets					
- Futures	(145)	5,349	(4,179)	(319)	706
- Options	1	0	0	(1)	0
- Forward FX	(7,969)	24,949	(21,457)	5,889	1,412
	1,099,390	512,597	(453,692)	71,107	1,229,402
Cash deposits	54,313	343,551	(354,574)	(207)	43,083
Other Investment Balances	4,780	(1)	(921)	3	3,861
	1,158,483	**856,147**	**(809,187)**	**70,903**	**1,276,346**

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

Included within the above purchases and sales figures are transaction costs of £677,474 (£490,658 2009/10). These transaction costs have been debited through the Fund Account and have been disclosed as part of the Investment Management Expenses. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

Details of investments held at year end

	31-Mar-11 £000	31-Mar-10 £000
INVESTMENT ASSETS		
Fixed Interest Securities		
- UK fixed interest Government bonds	16,471	0
- UK fixed interest Corporate bonds	108,651	101,206
- Overseas fixed interest Government bonds	6	6,312
- Overseas fixed interest Corporate bonds	1,304	5,997
	126,432	**113,515**
Index Linked Securities		
- UK index linked Corporate bonds	805	767
	805	**767**
Equities		
- UK equities	46,047	179,291
- Overseas equities	375,861	340,750
	421,908	**520,041**
Pooled Investment Vehicles		
- UK equities	190,192	69,085
- Overseas equities	161,901	122,280
- UK fixed interest Government bonds	43,140	31,753
- UK fixed interest Corporate bonds	18,707	17,931
- Overseas fixed interest Government bonds	6,818	7,684
- Overseas fixed interest Corporate bonds	3,590	3,261
- UK index linked Government bonds	43,385	33,206
- Property	147,637	114,506
- Long-Short Hedge Fund	62,769	59,855
- Currency Fund	0	13,619
	678,139	**473,180**
Cash held on deposit		
- Sterling Cash	40,500	52,628
- Overseas Cash	2,583	1,685
	43,083	**54,313**
Other Investment Balances		
- Derivatives Assets	5,568	2,156
- Outstanding dividend entitlements	3,348	4,309
- Recoverable tax	513	471
	9,429	**6,936**
INVESTMENT LIABILITIES		
- Derivatives Liabilities	(3,450)	(10,269)
Total of investments held	**1,276,346**	**1,158,483**
NET CURRENT ASSETS & LIABILITIES		
Current Assets	12,891	9,610
Current Liabilities	(2,439)	(1,545)
Total net current assets	**10,452**	**8,065**
	1,286,798	**1,166,548**

Derivative Contracts

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

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

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

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

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

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

Future Contracts Nature	Nominal Amount	Duration	Economic Exposure	Asset value at year end	Liability value at year end
	£000		£000	£000	£000
Equity Futures					
FTSE 100 Index Future	258	Expires Jun 11	15,182	598	
Fixed Income Security					
UK Long Gilt	(155)	Expires Jun 11	(18,161)		(1)
US Ultra Bond	55	Expires Jun 11	4,240	125	
US 10 Year Treasury	(86)	Expires Jun 11	(6,386)		(16)
				723	(17)

Forward Cash Currency Contracts

Contract	Settlement date	Currency bought	Currency sold	Asset value at	Liability value
				£0	£0
Forward OTC	0 to 6 months	Sterling	Australian Dollar	25	(15)
Forward OTC	0 to 6 months	Australian Dollar	Sterling	35	
Forward OTC	0 to 6 months	Canadian Dollar	Sterling		(3)
Forward OTC	0 to 6 months	Sterling	Canadian Dollar	16	(8)
Forward OTC	0 to 6 months	Danish Krone	Sterling	25	
Forward OTC	0 to 6 months	Sterling	Danish Krone		(121)
Forward OTC	0 to 6 months	Euro	Sterling	772	
Forward OTC	0 to 6 months	Sterling	Euro		(2,128)
Forward OTC	6 to 12 months	Sterling	Euro		(206)
Forward OTC	0 to 6 months	Hong Kong Dollar	Sterling	19	
Forward OTC	0 to 6 months	Sterling	Hong Kong Dollar	274	(21)
Forward OTC	0 to 6 months	Japanese Yen	Sterling	60	
Forward OTC	0 to 6 months	Sterling	Japanese Yen	723	(8)
Forward OTC	6 to 12 months	Sterling	Japanese Yen		(64)
Forward OTC	0 to 6 months	Norwegian Krone	Sterling	70	
Forward OTC	0 to 6 months	Sterling	Norwegian Krone		(69)
Forward OTC	0 to 6 months	Singapore Dollar	Sterling	9	
Forward OTC	0 to 6 months	Sterling	Singapore Dollar	27	(10)
Forward OTC	0 to 6 months	Swedish Krona	Sterling	42	
Forward OTC	0 to 6 months	Sterling	Swedish Krona		(393)
Forward OTC	0 to 6 months	Swiss Franc	Sterling	76	
Forward OTC	0 to 6 months	Sterling	Swiss Franc	119	(78)
Forward OTC	0 to 6 months	US Dollar	Sterling	187	
Forward OTC	0 to 6 months	Sterling	US Dollar	2,366	(257)
Forward OTC	6 to 12 months	Sterling	US Dollar		(52)
				4,845	**(3,433)**

Financial Risk Disclosure

As an LGPS Pension Fund, the Funds objective is to achieve a relatively stable “real” return above the rate of inflation over the long term. In order to achieve this objective the Fund holds financial instruments such as securities (equities, bonds), property, pooled funds (collective investment schemes) and cash and cash equivalents. The Funds activities expose it to a variety of financial risks including Market Risk, Credit Risk and Liquidity Risk.

All the Funds investments are managed by appointed Investment Managers. All investments are held by BNY Mellon who acts as custodian on behalf of the Fund. Each investment manager is required to invest the assets managed by them in accordance with the terms of a written investment mandate or pooled fund prospectus.

The Wiltshire Pension Fund Committee has determined that these managers are appropriate for the Fund and is in accordance with its investment strategy. The Committee obtains regular reports from each investment manager and its Investment Consultant on the nature of investments made and associated risks.

The analysis below is designed to meet the disclosure requirements of IFRS 7.

a) Market Risk

Market risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. This could be as a result of changes in market price, interest rates or currencies. The objective of the Funds Investment strategy is to manage and control market risk exposure within acceptable parameters, while optimising the return.

In general excessive volatility in market risk is managed through diversification across asset class and investment manager. Each manager is also expected to maintain a diversified portfolio within their allocation.

1) Market Price Risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting the market in general.

By diversifying investments across asset classes and managers, the Fund aim to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst the appointment of specialist managers enables the Fund to gain from their investment expertise.

Market Price - Sensitivity Analysis

The sensitivity of the Fund's investments to changes in market prices have been analysed using the volatility of returns experienced by asset classes. The volatility data has been provided by the Fund's Investment Advisor and is broadly consistent with a one-standard deviation movement. The volatility is measured by the (annualised) estimated standard deviation of the returns of the assets relative to the liability returns. Such a measure is appropriate for measuring "typical" variations in the relative values of the assets and liabilities over short time periods. It is not appropriate for assessing longer term strategic issues. The analysis assumes that all other variables, in particular, interest rates and foreign exchange rates, remain constant.

Movements in market prices would have increased or decreased the net assets valued at 31 March 2011 by the amounts shown below.

As at 31 March 2011	**Value £'000**	**Volatility of return**	**Increase £000**	**Decrease £000**
Baillie Gifford - Global Equity	176,192	21.10%	37,177	(37,177)
Capital International - Global Equity	185,433	21.10%	39,126	(39,126)
Capital International - Absolute Income Grower	127,630	9.50%	12,125	(12,125)
ING Real Estate - Property	151,780	14.20%	21,553	(21,553)
Western Asset Management - Corporate Bonds	140,606	10.00%	14,061	(14,061)
Legal & General - Equity	190,192	18.10%	34,425	(34,425)
Legal & General - Gilts	86,525	6.50%	5,624	(5,624)
Edinburgh Partners - Global Equity	131,472	21.10%	27,741	(27,741)
Fauchier Partners - Long/Short Hedge Funds	65,358	10.20%	6,667	(6,667)
Record Currency Management	16,446	0.00%	0	0
M&G - Financing Fund	4,712	0.00%	0	0
	1,276,346		**198,499**	**(198,499)**

2) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to interest rate movements from its investments in cash & cash equivalents, fixed interest and loans at 31 March 2011 is provided below.

	31.03.11
	£000
Cash held on deposit	43,083
Fixed Interest Securities	126,432
Loans	4,682
	174,197

Interest Rate – Sensitivity Analysis

The Pension Fund recognises that interest rates vary and can impact on the fair value of the assets. The sensitivity of the Fund's investments to changes in interest rates has been analysed by showing the affect of a 100 basis point (1%) change in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Value	**Change in net assets**	
As at 31 March 2011	**£000**	**£000**	**£000**
		+100 BP	**-100 BP**
Cash held on deposit	43,083	431	-431
Fixed Interest Securities	126,432	-9,520	9,520
Loans	4,682	0	0
	174,197	**-9,089**	**9,089**

A 1% increase in interest rates will reduce the fair value of the relevant net assets and vice versa. The loans identified are part of the M&G Financing Fund. Borrower pay a fixed annual interest rate agreed at the outset.

3) Currency Risk

Currency risk represents the risk that the fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in a currency other than sterling. When sterling depreciates the sterling value of foreign currency denominated investments will rise and when sterling appreciates the sterling value of foreign currency denominated investments will fall.

Currently Wiltshire Pension Fund has a 50% passive hedging arrangement in place. This restricts the losses/gains to half of what they would have been on overseas investment returns. This reduces the volatility of returns over the long term.

The table below shows approximate exposures to each of the three major foreign currencies based on manager benchmarks and target allocations. This is based on the three global equity managers Baillie Gifford, Capital International, Edinburgh Partners and the Capital International (AIG) product.

	US Dollar	Euro	Yen
Benchmark Weights	19.80%	6.60%	3.20%
	£'000	**£'000**	**£'000**
Net Currency Exposure	**242,506**	**84,239**	**40,843**

Currency Risk – Sensitivity Analysis

The sensitivity of the Fund's investments to changes in foreign currency rates have been analysed using a 10% movement in exchange rates in either direction. This analysis assumes that all variables, in particular interest rates, remain constant.

A 10% strengthening or weakening of Sterling against the various currencies at 31 March 2011 would have increased or decreased the net assets by the amount shown below.

	Assets Held at Fair Value	Change in net assets	
		+10%	-10%
	£'000	£'000	£'000
US Dollar	242,506	25,700	-25,700
Euro	84,239	8,600	-8,600
Yen	40,843	4,200	-4,200
Net Currency Exposure	367,588	38,500	-38,500

As the Fund has a 50% hedging arrangement in place only 50% of the gains/losses would be experienced. One important point to note is that currency movements are not independent of each other. If sterling strengthened generally it may rise against all the above currencies producing losses across all the currencies.

b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to meet their obligations and the Fund will incur a financial loss.

The Fund is exposed to credit risk through its investment managers, custodian and its daily treasury management activities. Credit risk is minimised through the careful selection and monitoring of counterparties.

A securities lending programme is run by the Fund's custodian, BNY Mellon, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon the type of transaction. This level is assessed daily to ensure it takes account of market movements. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 35% of eligible assets can be on loan at any one time.

Forward currency contracts are entered into by the Fund's currency overlay manager – Record. These contracts are subject to credit risk in relation to the counterparties of the contracts which are primarily banks. The responsibility for these contracts rests with Record. Prior to appointment full due diligence was undertaken, they are regulated by the FSA and meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2009.

Another source of credit risk is the cash balances held internally or by managers. The Pension Fund's bank account is held at HSBC, which holds a AA long term credit rating and it maintains its status as a well capitalised and strong financial institution. The management of the cash held in this account is managed by the Council's Treasury Management Team in line with the Fund's Treasury Management Strategy which sets out the permitted counterparties and limits. Cash held by investment managers is invested with the custodian in a diversified money market fund rated AAAm.

The Fund's exposure to credit risk at 31 March 2011 is the carrying amount of the financial assets.

	£'000
Fixed interest securities	126,432
Index linked securities	805
Equities	421,908
Pooled investment vehicles	530,502
Property	147,637
Derivative assets	2,118
Cash held on deposit	43,083
Other investment balances	3,861
Current assets	12,891
	1,289,237

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The main liabilities of the Fund relate to the benefits payable which fall due over a long period of time. The investment strategy reflects this and set out the strategic asset allocation of the Fund. Liquidity risk is mitigated by investing a proportion of the Fund in actively traded instruments in particular equities and fixed income investments. The Fund maintains a cash balance to meet operational requirements.

The following table analyses the Fund's financial liabilities, grouped into relevant maturity dates.

	Carrying Amount £'000	Less than 12 months £'000	Greater than 12 months £'000
Accounts Payable	494	494	0
Benefits Payable	677	677	0
Sundry Creditors	1,268	1,268	0
Vested Benefits	1,733,000	1,733,000	0
	1,735,439	1,735,439	0

Vested benefits are categorised as due within 12 months because any individual benefit could become due in that time. In reality these benefits will become due over the life time of the members.

Fair Value Hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Unadjusted quoted prices in an active market for identical assets or liabilities that the Fund has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices under Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability used to measure fair value that rely on the Funds own assumptions concerning the assumptions that market participants would use in pricing an asset or liability.

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	£000	£000	£000	£000
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Interest Securities	6	126,426		126,432
Index Linked Securities		805		805
Equities	414,718		7,190	421,908
Pooled Funds:				0
- Other	30,428		500,074	530,502
- Property	9,421		138,216	147,637
Derivative assets				0
- Futures	706			706
- Options				0
- Forward FX	1,412			1,412
	456,691	**127,231**	**645,480**	**1,229,402**
Cash Deposits	5,652	12,818	24,613	43,083
Other Investment balances	3,861			3,861
	466,204	**140,049**	**670,093**	**1,276,346**

During 2010/11 there were no transfers between level 1 and 2 of the fair value hierarchy.

The following table presents the movement in level 3 instruments for the year end 31 March 2011.

	£000
Opening balance	465,400
Total gains/losses	27,009
Purchases	395,652
Sales	-217,968
Transfer out of Level 3	0
Closing balance	**670,093**

10 Investment management expenses

	2010/2011	2009/2010
	£000	£000
Administration, management and custody	3,333	2,322
Transaction Costs	677	0
Performance measurement services	39	37
	4,049	**2,359**

It is a requirement of International Financial Reporting Standard 39 that transaction costs for investments go through the Fund Account.

11 Current assets

	31-Mar-11 £000	31-Mar-10 £000
Contributions due from other authorities and bodies		
- Employees	1,515	1,428
- Employers	4,155	3,815
Income due from external managers and custodians	144	164
Other	462	872
Cash	6,615	3,331
	12,891	**9,610**

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

12 Current Liabilities

	31-Mar-11 £000	31-Mar-10 £000
Managers / Custody fees	698	728
HMRC	541	2
Other	1,200	815
	2,439	**1,545**

13. Additional Voluntary Contributions (AVCs)

Fund members paid contributions totalling £0.196 million (£0.130 million in 2009/10) into their AVC funds during the year. At the year end, the value of funds invested on behalf of Fund members totalled £2.865 million (£2.847 million in 2009/10), made up as follows:

	£ million
Equitable Life Assurance Society	
- With Profits Fund	1.078
- Unit Linked Managed Fund	0.285
- Building Society Fund	0.056
Clerical Medical Funds	
- With Profits Fund	0.136
- Unit Linked Managed Fund	0.890
NPI Funds	
- Managed Fund	0.025
- With Profits Fund	0.213
- Global Care Unit Linked Fund	0.056
- Cash Deposit Fund	0.034
Prudential	
- With Profits Cash Accumulation Fund	0.024
- Deposit Fund	0.031
- Diversified Growth Fund	0.004
- Long Term Growth Fund	0.021
- Pre-Retirement Fund	0.008
- Property Fund	0.004
	2.865

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

14. Employer Related Assets

There are no employer related assets within the fund.

15. Guaranteed Minimum Pension

The Fund is liaising with the Department for Work & Pensions to obtain details of Guaranteed Minimum Pensions (GMP) that are not currently shown on member’s records.

GMP elements of member’s LGPS pension are not increased by the Fund for Pre 1988 GMP but for Post 1988 GMP’s it is increased by a maximum of 3%. The Government increase the State Pension for the member fully on the Pre 1988 GMP and for Post 1988 GMP it is only increased if CPI is above 3%.

The effect of LGPS pensions not showing the correct amount of GMP for its members would mean that their pension would be increased by more than it should be.

Once the GMP information has been received, member’s records will be amended to show the amounts of GMP that make up their LGPS pension and therefore future pension’s increases are then calculated correctly.

Although these overpayments are costs to the Fund they have been included as expenditure in previous pension fund accounts, therefore no restatement is necessary.

16. Subsequent Event

On 8th April 2011 Wiltshire Pension Fund received confirmation from the Government Actuary’s Department that they agreed to make a payment to the Fund to cover the liabilities in respect of the Magistrates Courts. In the past active members employed by the Magistrates Courts were transferred out of the LGPS but pensioners/deferred members remained in. The payment would in 10 instalments over the next 10 years. The first payment of £965,000 was received on 15th April 2011.

Actuarial Statement in respect of IAS26 as at 31.03.2011

Introduction
CIPFA's Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined obligation under IAS19. There are three options for its disclosure in pension fund account:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- As a note to the accounts; or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

In order for the Administering Authority to comply, I have provided the information required below.

Assumptions
The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this report.

Balance sheet

Year ended	**31 Mar 2011**	**31 Mar 2010**
	£m	**£m**
Present Value of Promised Retirement Benefits	1,733	2,006

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2011 comprises £748m in respect of employee members, £314m in respect of deferred pensioners and £671m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied that aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Financial assumptions
My recommended financial assumptions are summarised below:

Year ended	**31 Mar 2011**	**31 Mar 2010**
	% p.a.	**% p.a.**
Inflation/Pension Increase Rate	2.8%	3.8%
Salary Increase Rate	5.1%	5.3%
Discount Rate	5.5%	5.5%

**Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012 reverting to 5.1% thereafter.*

Mortality
As discussed in the accompanying report, life expectancy is based on the Fund's VitaCurves with improvements from 2010 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

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

**Future pensioners are assumed to be currently aged 45*

Historic mortality
Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year ended	**Prospective Pensioners**	**Pensioners**
31 March 2010	year of birth, medium cohort and 1% p.a. Minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Commutation
An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax free cash 2008 service.

Peter Summers FFA
31 May 2011

Schedule of Employer Bodies

Scheduled Bodies

Wiltshire Council
Swindon Borough Council
Wiltshire Police Authority
Wiltshire & Swindon Fire Authority
Wiltshire Probation Trust
Thamesdown Transport
Amesbury Parish Council
Blunsdon St Andrews Parish Council
Bradford-on-Avon Town Council
Calne Town Council
Chippenham Town Council
Corsham Town Council
Cricklade Town Council
Devizes Town Council
Haydon Wick Parish Council
Highworth Town Council
Malmesbury Town Council
Marlborough Town Council
Melksham Town Council
Melksham Without Parish Council
Mere Parish Council
Purton Parish Council
Salisbury City Council
Stratton St Margaret Parish Council
Trowbridge Town Council
Warminster Town Council
Westbury Town Council
Wilton Town Council
Wootton Bassett Town Council
Wroughton Parish Council
New College
Swindon College
Wiltshire College
Bishop Wordsworth Academy
Goddard Park Primary School Academy
Hardenhuish School Ltd
Lavington Academy
Sarum Academy
South Wiltshire Grammer
Swindon Academy
Wellington Academy

Admitted Bodies

ABM Catering Ltd
Action for Blind People
Aster Group
Aster Property Management
Barnados
Capita Business Services Ltd
Caterlink Ltd
CIPFA
Community First
DC Leisure
Direct Cleaning
English Landscapes
Focsa Services
Norwest Hoist (Vinci)
Ridgeway Community
Ridgeway Partnership
Salisbury and South Wilts Museum
Sarsen Housing Association
Selwood Housing
Swindon Commercial Services
Swindon Dance
The Order of St John Care Trust
Westlea Housing Association

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

Opinion on the pension fund accounts

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

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

Respective responsibilities of the Chief Financial Officer and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

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

Certificate

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

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Temple Street
Bristol
BS1 6AG
30 September 2010

Wiltshire Council
Where everybody matters

Internal Audit

Progress Report

April – September 2011

Contents:

Report Authors: Rod Taylor
Estelle Sherry
Denise Drew
[Principal Auditors]
Michael Hudson
[Director of Finance]

September 2011

INTERNAL AUDIT
PROGRESS REPORT

Introduction and Background

1. This progress report presents the Committee with the following:

   - An update on the performance of the Internal Audit Section.
   - A summary of the outcomes of audits completed during the period.
   - The results and outcomes of follow-up reviews carried out during the period, to assess the extent and adequacy of management action taken in response to audit reports from the previous year
   - In-progress audits which should be finalised and reported to the next Committee meeting.
   - An update on Internal Audit counter-fraud work including the Authority's progress in investigating data matches from the Audit Commission's National Fraud Initiative (NFI).
   - Brief details of other work undertaken during the year to date.

Internal Audit Section update

2. The vacant auditor post within the Internal Audit team structure has recently been advertised and interviews have been held. We anticipate a successful appointment to the post in the near future.

3. The current proposal to transfer the Internal Audit team to the South West Audit Partnership (SWAP) proceeds apace. Numerous meetings involving all team members along with the Chief Financial Officer, representatives of HR and Legal Services, and the staff and management of SWAP have taken place. An away-day at Haynes Motor Museum in Somerset is scheduled for mid-October (shortly before the proposed November 1 transfer date). These meetings, and related work, have had an impact on this years' plan, but no revisions to that have yet been necessary to report to members, and Committee has as a separate item on today's agenda, the Future of Internal Audit Provision.

Outcomes of Completed Audits

4. A full schedule of the audits completed during the period, incorporating specific main risks and management actions proposed, is attached as Appendix 1 to this report. A summary of the overall position on the outcomes of these completed audits is set out in the table below. An explanation of the range of audit opinions and risk ratings follows the table.

Audited Activity	Audit Opinion	Main Risks Identified
Braeside Education Centre	Limited Assurance	2 High Risks 5 Medium Risks
Area Boards	Full Assurance	Low risks only
IT Infrastructure	Substantial Assurance	2 Medium Risks
Revenues & Benefits (IT) – Academy (South)	Limited Assurance	3 Medium Risks
Revenues & Benefits (IT) – Academy (West)	Limited Assurance	9 Medium Risks
Revenues & Benefits (IT) – IBS (East)	Limited Assurance	10 Medium Risks
Revenues & Benefits (IT) – Northgate (North)	Limited Assurance	12 Medium Risks
Housing Rents (IT) – Simdell	Substantial Assurance	6 Medium Risks
Cash Management (IT) – Civica	Substantial Assurance	7 Medium Risks
SAP (IT)	Substantial Assurance	2 Medium Risks

Explanation of Audit Opinions and Risk Ratings

Audit Opinion

Full Assurance – There is a sound system of control designed to achieve the service objectives, with key controls being consistently applied.

Substantial Assurance – Whilst there is a basically sound system of control, there are weaknesses which may put some of the service objectives **at risk.**

Limited Assurance – Weaknesses in the system of control are such as to put service objectives at risk.

No Assurance – Control is generally weak leaving the system open to significant error or abuse.

Risk Rating

High Risks – These are significant risks to the effective delivery of the service. Risk management strategies should be put in place to appropriately manage the identified risks within a short timescale. Frequent monitoring of the management of identified risks is essential.

Medium Risks – These are risks which must be managed to ensure the effective delivery of the service. Monitoring of the risk should be regularly undertaken.

Low Risks – These are risks which are not considered significant to the effective delivery of the service, but which should nevertheless be managed and monitored using existing management processes

5. Two further audits have been completed:
    - Travellers service – no assurance (6 high risks and 4 medium risks)
    - Court of Protection – limited assurance

6. Following consultation by the Director of Finance with the Corporate Directors the reporting of these findings has been deferred as the responses from management have still to be concluded as:
    - in the case of travellers the initial officer responses give rise to a range of unfunded pressures that require further investigation as part of setting the 2012/13 budget. As such it cannot be guaranteed that the action can be implemented so senior officers have asked to look further into this matter; and
    - relating to the Court of Protection audit there is still a dispute over the accuracy of the findings.
7. These will be resolved and reported at the next Audit Committee.

Implementation of Agreed Management Actions

8. A full schedule of the audits we have followed-up during the period, incorporating specific risks and management actions implemented, is attached as Appendix 2 to this report.
9. Our follow-up work carried out during the last quarter leads us to the overall conclusion that management continues to respond properly to audit reports in the main, and is taking appropriate action to manage the risks identified. Many agreed actions are of an ongoing nature, and by and large progress is being made in accordance with expectations.
10. We will continue to report further follow-up work and the position on agreed management actions as part of each progress report to the Audit Committee.

Forthcoming Audit Work

11. The following table summarises in-progress audits which should be finalised and reported to the next Committee meeting. Committee should be aware that audit objectives and scopes may vary during the course of an audit to incorporate any additional and/or altered risks identified.

Audited Activity	Audit Objectives
Council Tax	1. Adequate controls ensure that the valuation system complies with statutory requirements and all chargeable dwellings have been identified, assessed and recorded. 2. Charges determined by the tax setting body are applied to the system for billing. 3. All persons liable for Council Tax and all discounts, exemptions, benefits and other allowances are correctly established and recorded. 4. Amounts due for each chargeable property are correctly calculated and promptly demanded from liable persons. 5. All collections are secure and efficient and posted promptly to the correct accounts and reconciled to the council's bank accounts, and all refunds due are valid, authorised and paid promptly. 6. All arrears are identified promptly and pursued effectively. Write-offs are valid and authorised appropriately. 7. The project to procure, install, test and operate a single application system across the county is on target for completion according to plan by October 2011and risks are being managed effectively.
Planning Applications	1. Planning applications are effectively managed, correct fees are receipted and applications determined in accordance with procedures and with the minimum of delay. 2. All planning fee income is collected, promptly receipted, banked in full and correctly posted to the main ledger. 3. Performance targets and monitoring are adequate. 4. A project plan is in place to procure and implement a new Development Services IT system, with appropriate milestones, to rationalise current systems and ensure the achievement of efficiency savings.

Audited Activity	Audit Objectives
Fleet Management	1. All vehicles operated by the Council are recorded and monitored in accordance with Council and government regulations. 2. Vehicles, including those operated on behalf of the Council under contract, are maintained correctly and this is documented and monitored. 3. Storage of stocks, including fuel, is monitored and controlled. 4. The audit will also follow up on the progress of the rollout of Tranman across the County.
Legal Contracts Administration	1. Records of contracts are maintained and updated accordingly. 2. Contracting within departments is carried out according to corporate policy and where applicable in conjunction with legal services. 3. Legal services are consulted according to procurement regulations.
Markets	1. There are clear written policies and procedures covering Markets and officers' responsibilities are clear and appropriate. 2. Fees and charges are properly authorised and regularly reviewed. 3. Accounting and administrative procedures for collection of fees and charges are effective and efficient. 4. Adequate reporting systems are in place, performance is monitored and any significant issues are highlighted.
Restructuring and Redundancy	1. Redundancy policies and procedures have been agreed and approved by all relevant stakeholders; 2. Redundancy policies and procedures are clear and comprehensive; 3. Redundancy policies and procedures are applied consistently.
Mobile Phones	1. There are clear written policies and procedures covering Mobile Phones and officers' responsibilities are clear and appropriate. 2. Fees and charges are properly authorised and regularly reviewed. 3. Accounting and administrative procedures for

Audited Activity	Audit Objectives
	collection of fees and charges are effective and efficient. 4. Adequate reporting systems are in place, performance is monitored and any significant issues are highlighted.
Active Directory (IT)	1. All users are subject to restrictions and controls which enforce the WC IT Security Policy. 2. Administrator-level privileges are only granted where absolutely necessary, and such accounts are subject to increased security measures. 3. User accounts are only members of appropriate groups. 4. The WC IT Security Policy requirements (password expiry etc) are implemented in the AD Domain policy.

Counter-Fraud Work (incl NFI)

12. Our counter fraud work this year has consisted mainly of responding to numerous referrals and facilitating wider council engagement with the National Fraud Initiative (NFI). Due to the interest in the NFI expressed by the Committee at the meeting in June 2011 an expanded summary of progress with the NFI is provided in this report.

13. We have responded to several referrals concerning potential irregularity in various services, including conflicts of interest in employment, security of income and other assets, and the appropriateness of certain payments. No cases of specific fraud have been identified because there was no evidence of verifiable loss or wilful wrong-doing. Our involvement in a number of these referrals has, however, resulted in tightened controls.

14. We have also continued to provide substantial assistance to the police with their ongoing investigation into theft of income referred to in the Internal Audit Annual Report presented to the meeting of the Audit Committee in June 2011.

National Fraud Initiative

15. The Internal Audit Annual Report 2010-11 presented to the Audit Committee on 29 June 2011 included a summary of the Council's progress in investigating the data matches provided by the current National Fraud Initiative (NFI). At that time investigations had been completed for only about 3,000 matches out of a total exceeding 20,000 which had been notified to the Council and no fraud or error had been identified.

16. As at September 2011, all relevant teams have substantially engaged with the NFI to review the matches in their areas and Internal Audit continues to provide support and advice as required.

NFI 2010-11 at 1 September 2011							
Report Type	**No of reports**	**Total matches**	**Number complete**	**In progress**	**Frauds**	**Errors**	**Outcome £**
Creditors	10	12,054	8,163	15	-	22	77,201
Housing benefits	40	4,608	96	14	1	-	1,792
Transport passes	2	1,503	1,503	-	-	-	-
Blue badges	3	1,068	668	400	-	-	-
Payroll	9	751	202	178	-	-	-
Pensions	6	586	558	26	-	-	-
Care homes	2	202	202	-	-	-	-
Housing: right to buy	1	1	1	-	-	1	19,029
Parking permits	2	3	3	-	-	-	-
	75	20,776	11,396	633	1	23	98,022

17. Creditor matches largely cover potentially duplicated vendor records and duplicate payments. Business Services have identified 22 duplicate payments, which are being refunded. These all appear to be the result of historical errors connected with the changes to one council and the adoption of SAP. There is now an automatic check within the system that provides a warning of potential duplicates. A number of superfluous vendors will also be removed from the system.

18. Housing benefits include matches with payroll, pensions, visas, housing tenancies and various trading licences. The Benefits Investigation Team have their own regular and highly reliable sources of information about cases worth investigating, and although there is inevitably tension between the number of cases which could be investigated and the resources available. The team have a prioritised strategy for systematically reviewing the NFI matches over a period of time.

19. Blue Badge matches represent badges currently in issue to individuals who may be deceased. The Blue Badge Team have confirmed their records were already up to date for most matches and have implemented procedures to resolve each of the remaining 400.

20. Payroll matches have been prioritised by focussing on higher quality matches. Many of these involve individuals apparently employed in multiple positions. A significant number of lesser priority matches have yet to be reviewed.

21. Pensions matches outstanding are largely due to unconfirmed death data and/or untraceable next of kin. The Pensions Team are taking all reasonable steps to obtain the information they require for the remaining items.

22. Further data matching will occur in the coming months to identify potential frauds relating to Council Tax Single Person Discounts, using datasets extracted from Electoral Register and Council Tax systems. We anticipate these matches to be released early in the new year.

Other Work

23. In addition to specific planned audits and follow-up work, we have undertaken additional work in a number of important areas as set out in the following paragraphs.

Financial Management Standard in Schools (FMSiS)

24. Three FMSiS audit reviews have been completed in quarter 1 of the current financial year:

- Abbeyfield School in Chippenham requested an audit to evaluate the effectiveness of controls in conjunction with assessment against the former FMSiS. The review considered internal controls operated over governance, banking, payroll, purchasing, petty cash, voluntary funds, VAT and assets. Three high and eight medium priority actions were agreed and a limited assurance given.

- Wyvern College in Salisbury has been subject to ongoing internal audit review and FMSiS assessment due to non compliance and improper financial control. In March 2010, a review confirmed that the school had still not attained the Standard. A follow up audit review has been undertaken and a limited assurance given. One high risk and seven medium priority actions remain outstanding. In particular, concerns remain over general financial management and the significant deficit budget; discussions are being held with the Department for Children and Education (DCE) to ensure future appropriate recovery.

- Zouch Primary School in Tidworth was subject to an FMSiS review in 2010/11 but due to a period of transition throughout the review period, additional time was permitted to facilitate achievement of the standard. However, in June 2011, the school was notified that it had failed to meet the standard through its continued failure to demonstrate acceptable financial management and governance.

Schools Financial Value Standard (SFVS)

25. The SFVS was launched by central government on 18th July 2011 to replace the former FMSiS. The SFVS is designed to assist schools' governing bodies, who hold formal responsibility for financial management in their schools, in managing their finances and to give assurance that secure arrangements are in place. All LA maintained schools are required to complete the SFVS annually, however it will not be externally assessed nor is there a prescribed level of evidence required. Schools who achieved the former FMSiS standard are required to first submit a return by 31st March 2013; the schools who failed must submit a return by 31st March 2012. Internal Audit have been in conversation with Accounting and Budget Support (ABS) to determine how the executive responsibility for receipting, verifying and managing returns will be administered in practice.

Schools Audits

26. Following discussions with DCE, Internal Audit will be re-introducing cyclical audit reviews with effect from September 2011. Some schools have not been subject to a review since 2001/02 and these will be selected for early inclusion in the cycle. To facilitate audit review, a School Standards Questionnaire (SSQ) has been developed covering financial management and control in relation to governance, financial planning, financial controls, budget monitoring, purchasing, petty cash, income, banking, VAT, payroll, assets, voluntary funds, insurance and data security. The SSQ will be available to all schools via Wisenet; a condensed SSQ covering controls under cyclical audit review will be shared with all schools prior to review.

Marketing Task Group

27. The Marketing Task Group (MTG) meets regularly to discuss and promote trading with schools. The move by some Wiltshire schools to Academy status has presented opportunities for the Council to trade additional services, such as education welfare, free school meals assessments, health and safety, licences, post 16 transport and occupational health. Internal Audit services are also tradable; however, due to the uncertainty over the future delivery of internal audit, this service is not being advertised. This is because any income gained from trading audit services would, if Internal Audit move to the South Wilts Audit Partnership (SWAP), not be receivable by the council.

KPMG SAP Post-Implementation Review

28. At the request of the Audit Committee, we have commenced a review to follow up on the progress made following the publication of the KPMG report dated November 2010. This involved the review of the management actions as proposed in the action plan to ensure these had either been completed or were part of planned action. At this time, we are able to give updates on the position regarding ICT. Observations which relate to other services areas, such as Procurement have not yet been reviewed.

29. It was evident that a great deal of work has already taken place within ICT to identify and seek solutions to address the observations made by KPMG in the report. A Project Initiation Document was presented to the Audit Committee in May 2011, which included a plan to appoint a Project Manager to oversee 25 projects that were identified from the internal review of the SAP system. The projects are broken down into 3 main groups, Unresolved Implementation Issues, Essential Business Developments, which are priority, and Future Projects.

30. Working from the KPMG report, we summarised the management actions and these were given to the ICT Programme Manager for an updated position. The relevant information for the 11 actions directly relating to ICT was received and we can confirm that in all cases clear concise answers were given with the assurance that the projects are progressing well.

31. Whilst it is clear that a lot of work remains to be done to achieve the potential savings and benefits that SAP has to offer the Council, it is clear that several opportunities for improvement have been identified and achievements have resulted from work already completed. From an ICT perspective, the project is still in progress and continues apace.

32. We anticipate the audit review will be completed by the end of September. Any outstanding issues will be brought to the Committee for information.

Appendix 1 Outcomes of Completed Audits

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed

Page 186

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Braeside Education Centre	• Bookings for courses and conferences are completely and accurately recorded, and invoices are raised and paid prior to the provision of the service; • Income received is completely and accurately recorded, collected o n a timely basis and reconciled to the ledger, and there is adequate separation of duties for cash handling; • Purchases comply with financial regulations, are appropriately sourced, payments processed and reconciled to the ledger; • Effective budget monitoring arrangements are in place; • Verification checks are made of all new staff prior to employment at the Centre, including CRB checks, as appropriate, and all employed staff are appropriately paid.	Limited Assurance **2 High Risks**	• Failure to reconcile expected income to income actually receipted, and income receipted to actual income banked risks non collection of all the income due, and not detecting losses of income or errors in income accounting. • Operational decisions taken by the Head of Centre may be adversely affected if the full and detailed financial position of the Centre is not known.	• The Centre uses existing databases to complete end to end reconciliations of all income due to that receipted, to that accounted for in SAP, and to that actual receipted by the bank. • Systems are now in place to reconcile Centre accounts to Finance reports but this relies on Accounting and Budget Support sending a monthly report. New arrangements between the Centre and ABS should be in place and working by January 2012.

Page 188

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Area Boards	• Appropriate arrangements are in place to market the concept of area boards and advertise widely the board meetings that are held in each area to ensure a wide range of residents and stakeholders are able to attend and participate; • Meetings are properly conducted, decisions are correctly recorded and the minutes of all meetings are available to residents within appropriate timeframes; • Applications for community area grants are correctly documented and award decisions are effectively communicated to all applicants; • The costs of running area boards are properly monitored and controlled.	Full Assurance **No High Risks**	• A sound system of control exists. • Audit identified 11 Low Risks.	• Management have proposed actions to address all risks.

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
IT Infra-structure	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Substantial **2 Medium Risks**	• Main issues related to user account management and permissions.	• Management have proposed actions to address all risks.
Revenues & Benefits (IT) – Academy (South)	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Limited Assurance **3 Medium Risks**	• Main issues related to user account management and permissions, and the absence of an application-specific security policy.	• The system will no longer be in use from March 2012

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Revenues & Benefits (IT) – Academy (West)	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Limited Assurance **9 Medium Risks**	• Main issues related to user account management and permissions, and the absence of an application-specific security policy.	• The system will no longer be in use from March 2012
Revenues & Benefits (IT) – IBS (East)	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Limited Assurance **10 Medium Risks**	• Main issues related to user account management and permissions, and the absence of an application-specific security policy.	• The system will no longer be in use from March 2012

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Revenues & Benefits (IT) – Northgate (North)	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Limited Assurance **12 Medium Risks**	• Main issues related to user account management and permissions, and the absence of an application-specific security policy.	• The system will no longer be in use from March 2012
Housing Rents (IT) – Simdell	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Substantial Assurance **6 Medium Risks**	• Main issues related to user account management and permissions, and the absence of an application-specific security policy.	• The system will no longer be in use from March 2012

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
Cash Management (IT) – Civica	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Substantial Assurance **7 Medium Risks**	• Main issues related to user account management and permissions, and the absence of an application-specific security policy.	• Civica WebPay currently has over 690 users. We are of the view that the impact of having a user who has moved roles but still has access to receipt a payment is minimal, when compared to the resource required to carry out a full review in liaison with operational managers. • Reviews are undertaken annually by SA's (usually in late spring/early summer) however, as noted, these are not documented. • We will look into a method by which completion of these reviews, together with any action(s) taken can be documented. • Access to the Civica Live data is predominately controlled via the application. This does not allow data changes outside of normal operations. • Each import variant has a unique ID. Access to create / update / delete these is limited to 5 staff, of which 2 are in IT. These staff communicate any potential updates to import processes, so that ALL amendments are tested. • All scheduled job are monitored by exception. ie. Failed tasks / missing data etc is investigated and rectified accordingly. • We will create a list of scheduled (unattended) tasks, and their impacts/run times etc. to aid monitoring.

Audited Activity	Audit Objectives	Audit Opinion	High Risks and Main Issues	Management Actions Proposed
SAP (IT)	• To ensure the integrity of application and data, by restricting physical and logical access to systems • To ensure the continued integrity and availability of systems where changes occur, by operating a sound change management procedure • To ensure the availability of systems and data, by operating sound 'housekeeping' infrastructure operations	Substantial Assurance **2 Medium Risks**	• If there are users logging on after they are meant to have left the organisation then there is a risk of unauthorised access • Without a specific procedure relating to the review of users, roles and authorisations, there is a risk that inappropriate access may be granted to users or not removed from users whose jobs no longer require such access or who have left the organisation	• There is an HR process that identifies staff who are leaving the Council and notifies the SAP support team. • The SAP support team carries out regular checks against leaver lists to ensure user accounts are disabled for leavers. • Further checks first disable, then delete dormant user accounts. • These checks will continue, but it relies on adherence to the HR leaver process by managers to ensure the SAP Support Team receives accurate data. • A procedure is under development, based on the experience gained from carrying out periodic user compliance checks in close liaison with the functional process owners.

Appendix 3 Implementation of Agreed Management Actions

Audited Activity	Audit Opinion	High Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
Statutory Visits to Looked After Children	Limited Assurance 1 High Risk	• As records kept on the CareFirst system are not always complete, with all required fields completed, it is not possible to say with any certainty that all Looked After Children (LAC) are receiving timely Statutory Visits. There is a risk that the Council could be seen as failing in its duty to provide Statutory visits.	• CareFirst to be completed and required fields completed according to procedures.	The follow up review found that this risk still exists. This was discussed with management who have proposed the following additional action to mitigate this risk: • The Independent Reviewing Officer service to be asked to check visiting frequency on SW review reports and cross reference to case recording in all LAC reviews. • Mandatory LAC training for social workers to reinforce procedure compliance.
Financial Assessments and Benefits (FAB) Team	Limited Assurance 1 High Risk	• Referrals for financial assessment are not always available on CareFirst and a hard copy is not always available in the clients file held by SST. There is a risk that client data may be incorrect or not up to date. If referral forms are missing or incomplete, it would not be possible to evidence compliance with the contract or measure performance. Where referral forms are not dated, it would not be possible to establish the time it has taken the referral to get to the FAB team. Incorrect information may cause delays and the client	• The FAB team do not have responsibility for the data or accuracy of the data held on CareFirst. These comments will be referred to Adult Social Care managers. • The FAB team return forms received by them that are not complete and staff will be reminded of the importance to do this. ASC are reminded of the importance to complete all information on referrals. The FAB team maintain	• It is not possible to implement Financial Assessment Forms on SAP. Notification letters have been set up and these are loaded onto CareFirst. • Incomplete forms are returned to the care manager although no dates are set for return. This remains a risk regarding assessments being delayed.

Audited Activity	Audit Opinion	High Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		would not be assessed in a timely manner.	an excel database to report timescales etc.	
Orders of St John Care Homes Provision of Placements	Limited Assurance 5 High Risks	• The bed usage has not been consistent with the contract agreement. There are several arrangements including respite, day care services in place. The current availability for the block contract is 463 beds and 27 beds for respite. Full capacity has not been achieved. No adjustments/reductions have been made to the number of beds in the main contract to reflect the additional beds in Athelstan House and Coombe End. There is a risk that the Council has contracted for more beds than it needs. • As there are amendments and variation agreements to the block contract, there is a risk that not all these have been processed according to the Wiltshire Council contracting procedures, in particular for contracts over £1m. The Legal section had not been informed of the changes. If the Council were to be challenged, it would place the Council in a difficult position and could reflect badly on our business practices.	• To audit and review existing contracts and any associated variations. To identify any required contractual actions to confirm existing – or any subsequent agreed arrangements with OSJ. To undertake an analysis of the residential care market to determine market capacity; future demand and benchmarked costs. • As above to audit existing contractual paperwork to ensure compliance. To ensure appropriate governance with respect to any future contractual amendments/ variations with OSJ. To ensure the Contracts Register reflects all such contractual amendments.	• The department wish to maintain the maximum level of beds with OSJ as this will increase the buffer of beds available. • All OSJ contract variations have now been passed to legal.

Page 195

Audited Activity	Audit Opinion	High Risks and Main Issues	Management Actions Proposed	Follow Up Audit Review: Management Actions Taken / Completed
		• OSJ have not been informing the Council of open beds within the 24 hours as set out in the contract. The number of bed days that lapse is costing the Council a considerable amount of monies. There is a risk beds could have been available to our clients had the Council received timely notification. • The lack of clarity and reconciliation between the information used for void days within the Council is placing the Council at risk of making payments that may have been avoided. With inaccurate or poor monitoring records, the Council may not be in a position to confirm, negotiate and potentially decrease void payments. • Assessments are not always recorded on CareFirst. If records, including assessments and service plans are not available, there is no evidence that the client has been assessed and whether the assessment was carried out by Wiltshire Council staff or by OSJ. There is a risk that the Council is placing too much reliance on OSJ and that placements and subsequent costs may be incorrect.	• Actions implemented to ensure 24 hour notification from OSJ to central point within DCS Contracts. Bed placement process being reviewed to identify lean efficiencies. Zero-void approach being undertaken. • Process review and action planning commenced involving DCS Contracts (facilitator); Resource Specialist; Shared Services. Identified Contracts Officer to receive void information to consider in relation to both DCS operational management and possible provider negotiation. • DCS Operations to ensure assessments are recorded on Care First in an accurate and timely manner.	• A spreadsheet has been created to capture several aspects with regard to filling beds. Beds are tracked when they become available and filled as soon as possible. • Client and bed information is now maintained by the DCS contracts section. OSJ and the Council have direct access to ensure the information exchange is accurate and controlled accordingly. • This will also be followed up as part of the 2011/12 audit work to visit 3 additional OSJ Care Homes.

WILTSHIRE COUNCIL

AUDIT COMMITTEE

28 SEPTEMBER 2011

Subject: **INTERNAL AUDIT TUPE UPDATE**

Cabinet member: **John Brady – Finance, Performance and Risk**

Key Decision:

Executive Summary

1. This report is to update the Audit Committee on progress since its May meeting and subsequent Cabinet decision to pursue a TUPE (Transfer of Undertakings (Protection of Employment)) negotiated transfer of the Council's Internal Audit function to the South West Audit Partnership (SWAP). A further paper has been provided to members in Part II covering some of the commercially sensitive matters.

2. Negotiations with SWAP have progressed well with no showstoppers identified. The latest position suggests the transfer will save a further £27,907 on the current budget.

3. Performance measures have also been agreed in principle and subject to review by this Committee and Cabinet to ensure improvement in quality of the service post transfer.

4. Whilst there are some issues raised by staff these are being worked through, and are almost solely down to a misunderstanding of certain key data and facts. In total over 50 meetings have been held with staff, including 1:1s, and meetings with SWAP.

5. SWAP are due to commence their in-depth due diligence on Wiltshire Council's audit appraisal at the start of October and conclude staff meetings at the same time, as such a transfer dated on 1 November is hoped.

Proposal

6. Members of the Audit Committee are asked to review the key performance indicators to monitor the partnership post transfer to secure an efficient and effective Internal Audit; and make recommendations on these, if appropriate, to Cabinet, for approval.

Reason for Proposal

6. This report is to update the Audit Committee on progress since its May meeting and subsequent Cabinet decision to pursue a TUPE (Transfer of Undertakings (Protection of Employment)) negotiated transfer of the Council's Internal Audit function to the South West Audit Partnership (SWAP).

Michael Hudson
Chief Finance Officer

WILTSHIRE COUNCIL

AUDIT COMMITTEE

28 SEPTEMBER 2011

Subject: **INTERNAL AUDIT TUPE UPDATE**

Cabinet member: **John Brady – Finance, Performance and Risk**

Key Decision:

<u>Purpose of Report</u>

1. This report is to update the Audit Committee on progress since its May meeting and subsequent Cabinet decision to pursue a TUPE (Transfer of Undertakings (Protection of Employment)) negotiated transfer of the Council's Internal Audit function to the South West Audit Partnership (SWAP). As these negotiations contain matters of a commercial nature and affect individuals certain information has been made public, and some is reported separately to members under Part II of this Committee's agenda.

<u>Background</u>

2. At its May Audit Committee members received a paper on the options for the future delivery of the Council's Internal Audit Function. Members agreed for officers to commence negotiations with another local government partnership – SWAP (The South West Audit Partnership). Although if those negotiations were to stop for any reason to pursue, as an interim measure, the management of the section through the three Principal Auditors and this arrangement has been running since that period and during the SWAP discussions.

3. The decision to enter into formal TUPE negotiations with SWAP was taken at the following Cabinet meeting, which took on board the Audit Committee's views.

4. Since that date negotiations and discussions have begun with

    - Staff (including Legal and HR)
    - Trade unions
    - Somerset Pension Fund
    - SWAP

5. The discussions with SWAP have progressed well and to date no ‘show stoppers’ have been identified. As such the option to pursue a TUPE transfer has not been withdrawn. As stated in paragraph 2 above the three Principal Auditors have led the service in the meantime. Whilst this has gone well there is no evidence to change the scoring of any of the options, although SWAP are now delivering more savings as discussed from paragraph 7, so could justify higher scoring. As such the SWAP proposal remains, it is not withdrawn and is still first option

6. This report sets out to members the progress made through those discussions and negotiations, as well as the next steps. The report thus focuses on:

    - Economy and Efficiency – the cost of the partnership: Paras 7-10
    - Effectiveness – the qualitative performance of a future partnership service: Paras 11-15
    - Staff’s position – the effect on the current team: Paras 16-20
    - Next steps – actions and timetable to transfer: Paras 21-22

<u>Economy and Efficiency</u>

7. The current (2011/12) cost of the service, allowing for a full year cost of the current vacant post, is £603,400. This is a £150,000 gross reduction from 2010/11, when three posts were removed as part of the Council’s restructure of its management. The remaining resources were still sufficient to deliver the audit plan, with provision for the recruitment of an auditor post during 2011/12).

8. Discussions have been held with SWAP as to the fee that would be due under a partnership. SWAP calculates their need by applying a multiplier to the basic staff cost of the function transferring.

9. SWAP’s management have calculated on this basis the fee to Wiltshire Council for the same number of staff and outputs, or improved outputs would be £575,493. Thus, this is less than the current cost of the service and will represent a part saving of around £7,000 to the Council in 2011/12 and a full year saving of £27,907 in 2012/13.

10. The fee will be fixed for the period of the Contract, and as such would give the Council financial security in its costs and further savings due to nil inflation. Thus, the proposal to transfer is seen as efficient.

Effectiveness

11. The current level of performance reporting of the Council's Internal Audit function, due to poor IT is low. A key factor to assess is how officers and members can set and ensure a high standard of performance of a partnership. As such, a number of Key Performance Indicators, KPIs, have been agreed in principle with SWAP to both enable this and address concerns raised by staff and members.

12. The KPIs are set out in detail at Appendix 1 of this report. The focus of the measures are to ensure:

    - Quality of audit coverage and work
    - Efficiency and cost
    - Quality of staff and partnership relationship
    - Innovation

13. Key features to draw out include:

Area of Concern	Proposed KPI	Assurance Gained	Target
1. Wiltshire Council will not work on Wiltshire Council Work.	• % of staff available, time for each staff spent on Wiltshire Council audits • % of non-Wiltshire Council staff working on Wiltshire Audit	To ensure staff transferred continue to work on Wiltshire Council audits unless mutually agreed by all parties. To measure the added value of staff supporting Wiltshire Council from elsewhere in SWAP.	80% Unless agreed by: • SWAP • Individual, & • CFO 20%
2. Additional External Audit fees are incurred for lack of SWAP audit work.	• % reliance placed by external audit on SWAP work	An assessment of quality. If less than 100% and SWAP gives rise to a consequential financial loss to the Council, SWAP will be responsible for any additional cost.	100%
3. The level of coverage will worsen.	• % of audits delivered to agreed plan (or revised if agreed) • % follow-up audit recommendations auctioned • % key audit dates to deliver work met	Assurance that audits required and agreed are delivered. An assessment of the quality of audit work. Assurance audit work is being carried out and completed promptly.	100% 90% 95%

***Note: Most of these measures are not currently collected or reported, so this represents a significant improvement. The targets will therefore be reviewed once performance is assessed for the first time, but overall remain the goal*.**

14. The Audit Committee's views of the KPIs and target is sought to inform reporting to Cabinet and in finalising any partnership agreement with SWAP.

15. In addition to performance measures discussions have progressed well with regard to the operation of the function post any transfer. Key staff issues such as will they be able to wear Wiltshire Council identity badges and use the County Hall to Shurnhold bus have been agreed positively. In addition, SWAP have agreed that the current good practices within Wiltshire Council IA reports, such as the risk matrix favoured by members will be retained.

16. We are also looking at ICT arrangements to ensure ICoCo compliance. This is likely to mean IA staff operating initially with two computers, but we are reviewing arrangements to assess if this is needed long term. SWAP have encountered similar situations at other councils were one machine is required for running SWAP systems and reports, and another for access to the council's data. This has been overcome at other sites through the use of desktops and limited access permission. At present these arrangements may not fit with Wiltshire Council's aim to facilitate greater home working were possible, but we will continue to review the matter and it is not expected that it will have any impact on performance.

Staffs' Position

17. In total there have been over 50 meetings with staff. These include:

- Team meetings - with and without others, such as the Director of Finance, HR, SWAP and Trade Unions.
- One to ones - with the Director of Finance; and
  - with SWAP representatives

18. In addition, this diligence has included sharing of some information with SWAP such as job descriptions and staff costs. Staff are currently confirming or updated their terms and conditions. These will be shared at the start of October. In addition, SWAP will undertake due diligence of the Council's audit processes and records at the same time.

19. Information is also being shared between the Wiltshire and Somerset Pensions Funds to assess any pension liability. If this were to arise, it is likely Wiltshire Council would act as guarantor as this would likely have negligible costs, if any, in future years.

20. Whilst various meetings have been held, staff have recently written to the Chair and Deputy Chair of the Audit Committee to identify a range of issues they felt members may not have been aware of. These issues contain a number of commercially sensitive comments and personal performance matters. As such the full extract has been reported in Part II of this meeting with management responses.

21. In all cases these issues have been discussed an explained to staff on numerous occasions, and in most cases are the result of staffs' misunderstanding or misinterpretation or factual inaccurate record of events.

22. Whilst it is disappointing to have the letter sent in this manner, all issues have been covered with staff several times before. It is not unusual in TUPE for some issues through to be confused and discussions with staff will continue.

Next Steps

23. Following the Audit Committee, a separate report will be issued to Cabinet highlighting matters raised by the Committee. Whilst the Constitution has changed to allow TUPE of less than 50 staff to be delegated to the appropriate Portfolio Holder, the Cabinet have expressed, in a spirit of openness and transparency, a desire for an update and Audit Committee comments.

24. During October, SWAP will continue its due diligence of Wiltshire Staffs' terms and processes. In addition, Council officers will finalise the legal and TUPE documentation in preparation for a 1 November 2011 transfer.

Main Considerations for the Council

25. The proposed transfer under TUPE to SWAP is progressing well, is on target to conclude by 1 November 2011, and will yield more savings than anticipated with greater performance reporting.

Risk Assessment

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

Equality and Diversity Impact of the Proposal

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

Environmental Impact of the Proposal

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

Financial Implications

29. The Director of Finance is the author of this report and the financial consequences of the transfer are set out at the Efficiency section (paras 7-10) of this report.

30. In addition, it is noted that a lack of ability to place reliance on Wiltshire Council's Internal Audit's work in 2011/12 has led to an additional £40,000 cost incurred by KPMG to seek assurance. The KPIs proposed would mean that cost, if it were ever to incur under SWAP would be borne by SWAP not the Council.

Legal Implications

31. Wiltshire Council has the power to enter into a joint local government partnership (Local Government Acts 1972 and 2000). Consultation with staff is currently in progress and the final TUPE agreement, and other legal agreements will need a Portfolio Holder delegated decision approval for any subsequent TUPE transfer.

Proposal

32. Members of the Audit Committee are asked to review the key performance indicators to monitor the partnership post transfer to secure an efficient and effective Internal Audit; and make recommendations, if appropriate, to Cabinet, for approval.

MICHAEL HUDSON
Chief Finance Officer

Report Author: Michael Hudson, Director of Finance

Background Papers: May 2011 Audit Committee

Appendices:

Appendix 1 – Key performance Indicators proposed

KPI NAME	EXAMPLE INPUT	OUTCOME KPI	TARGET	WHY

Appendix 1

Key performance Indicators proposed

Goal	Objective	KPI	Target	Comments
EFFICIENCY *(Deliverables)*	1. Audit reviews and reports completed	1.1 % of audits delivered to agreed plan 1.2 Number of unplanned audits completed 1.3 % of quarterly partnership review meetings SWAP representative attend 1.4 Quarterly reports and Annual Report issued to Audit Committee on time 1.5 Audit Committee satisfaction	100% 100% 100% 100% 85% good or above	Meet business need and drive value from partnership Improved resource planning for next year's audit plan
	2. Issues and postponed audits	2.1 Number of follow up audit recommendations actioned 2.2 Effective escalation process in place: • High priority matters resolved within 15 days • Low priority matters resolved in 60 days • Matters referred t Head of SWAP as unresolved after 15/60 days • Matters referred to SWAP management board as unresolved by Head of SWAP • Matters referred to SWAP Board as unresolved 2.3 % customer (internal depts.) service satisfaction	90% 95% 100% No > 5% 0% 0% 85% good or above	The target is less the first year to reflect the fact SWAP will take on recommendations. It is expected that the SWAP Audit Manager will lead an effective audit team and promote effective client relationships To review target on ongoing basis
QUALITY *(Compliance)*	3. Compliance with SWAP Agreement and national guidance and legislation	3.1 % of audits relied upon by external auditors 3.2 % Audit reports completed in timely manner (to be defined as: • Audits commenced on planned start date • Draft issued within 5 days of target completion date • Final agreed report issued with 15 days	100% 90% 95% 100%	Full compliance expected or at SWAP risk To measure the timeliness of reporting

		3.3 External audit fee reduction due to reliance on internal audit	Council measure	
PEOPLE	4. To maintain an effective and skilled audit team	4.1 % of transferred staff (by individual) spent on Wiltshire Council audits 4.2 % of non transferred staff spent on Wiltshire Council audits 4.3 Sickness levels kept below national benchmark 4.4 % training fee spent on transferred staff	80% 20% 6 days 100%	Support Councils vision of providing excellent service through healthy, skilled, trained and motivated staff
INNOVATION *(customer focus)*	5. Innovation and best practice encouraged	5.1 % of partner cross cutting audit recommendations implemented 5.2 Risk assessment reduced in DLT risk register	75% Council measure	Council can target resources to drive internal improvements and compliance of top issues
COST *(Risk)*	6. Service delivered to cost	6.1 Audit fee to planned fee	0% variation	Unless agreed by Audit Committee

By virtue of paragraph(s) 3, 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

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