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EXPLANATORY FOREWORD

The Council's Accounts for 2000-01 are set out on pages 3 to 44.

This foreword provides a brief description of the financial events affecting the Council in 2000-01 and the Council's financial position generally.

Budget

A summarised comparison of actual income and expenditure with the original budget for 2000-01 is set out below:

	Original Budget £'000s	Actual £'000s	Difference £'000s
Gross expenditure	183,489	185,709	2,220
Income	61,810	66,765	(4,955)
Net Operating Expenditure	121,679	118,944	(2,735)
Less: Revenue Support Grant	(46,563)	(46,563)	0
Non-Domestic Rates	(36,572)	(36,572)	0
Council Tax	(38,122)	(38,122)	0
Net balance before appropriations	422	(2,313)	(2,735)
Net appropriations & adjustments	0	2,324	2,324
Change in General Fund Balance	422	11	(411)
Balance brought forward	(2,374)	(2,372)	2
Balance carried forward	(1,952)	(2,361)	(409)

Note

The Council originally set a net revenue budget of £121,678,814 for 2000-01 (including parish precepts), which complied with the Government's capping limit, but which required a withdrawal of £422,000 from the General Fund.

The estimate was revised to £121,426,714 (including parish precepts) and this included a budgeted contribution of £169,900 from the General Fund.

At the end of the year, actual net expenditure amounted to £121,267,958 and this resulted in a contribution of £11,405 from the General Fund. The General Fund balance at 31st March 2001 is £2,360,905.

Capital

The Council budgeted to spend £20.4 million on capital projects in 2000-01, in line with estimated resources. Final capital expenditure amounted to £16.0 million, (including Single Regeneration Budget expenditure).

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and with guidance notes issued by CIPFA on the application of accounting standards (SSAPs) to Local Authorities.

2. Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. This expenditure is classified as fixed assets provided that the fixed asset yields benefits to the authority and to the services it provides for a period of more than one year.

Fixed assets are recorded in the accounts at the lower of current replacement cost or realisable value in existing use, with the exception of certain community assets which are included at a nominal valuation and infrastructure assets which are valued at historical cost. Assets are revalued on a rolling five year programme. Current Asset values used in the accounts are based upon the certification by the Property Services Manager as at 31 March 2001.

Where a fixed asset is included in the balance sheet at current value, the difference between that value and its previous valuation in the balance sheet is credited or debited to the fixed asset restatement reserve.

The Authority does not hold in the balance sheet any assets to which finance lease liabilities apply.

Assets are depreciated over their useful economic lives, using the straight line method having regard to the anticipated life of each individual asset as contained in the asset register. Fixed Assets other than non depreciable land are reviewed for impairment at the end of each reporting period in accordance with FRS11.

3. Basis of Charges for Capital

In addition to depreciation (see above) service departments are charged for the cost of capital employed based upon the values of the assets which they employ.

4. Capital Receipts

The usable part of capital receipts from the disposal of assets are held unapplied until they are used to finance capital expenditure. A proportion of certain receipts are set aside to pay for the repayment of debt or to be used in respect of credit approvals. Interest earned on the capital receipts balance is credited to the Summary Revenue Account.

5. Grants

Capital Grants received in respect of infrastructure are credited to the Capital Financing Reserve. Revenue grants are shown as income to the Authority in the current year.

6. Deferred Charges

Expenditure is generally financed and written off in the year in which it is incurred. Deferred Charges relating to the funding of the costs of local government reorganisation by the application of Supplementary Credit Approval (SCA) are charged to revenue account over a period of seven years commencing four years from the application of each SCA.

7. Debtors and Creditors

The accounts of the Council, including capital accounts, are maintained on an accruals basis in accordance with SSAP2. Transactions are included in the financial year to which they relate, regardless of whether the cash has actually been paid or received.

8. Stocks and Work in Progress

Stocks are valued at the lower of cost or net realisable value. Work in progress which will ultimately be charged to outside persons is included in the accounts at the lower of cost price or net realisable value.

9. Overheads

All costs of management and administration have been fully allocated to services. The main bases of allocation used are as follows:

Staff time:	Accountancy, legal, personnel and estates
Floor area:	County Hall accommodation
Actual use:	Printing, telephones, computing, exchequer services

These bases are gradually being replaced by negotiated agreements between providers of support services and their service department 'clients', covering service and charge levels.

10. Provisions

A provision is an amount set aside in the accounts for liabilities which are anticipated in the future, but cannot be accurately quantified.

11. Reserves

Numerous reserves are maintained in respect of the financing of future capital and revenue expenditure, and of other known future liabilities. Under the scheme for local management of schools, each school has a reserve for use in future years. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for contingency purposes.

12. Pensions

Following an actuarial valuation of the Pensions Fund as at 31 March 1998, the Council's contribution to the Fund was increased from 8% to 8.5% with effect from 1 April 1999 and to 9% with effect from 1 April 2000. This takes into account the actuary's view of the Fund's liabilities and assets and various changes in benefits and in the funding of index linking of pensions. The valuation reflected the return to the funding of 100% of liabilities.

Teachers' and firemen's pension liabilities are not covered by the Fund. In the case of teachers, a payment is made to the Department of Education and Science notional fund, while fire pensions are charged directly to revenue.

13. Investments

Investments are shown in the Consolidated Balance Sheet at cost. Pension Fund investments are shown at market value on 31 March 2001. Pension Fund investments held in foreign currencies are shown at market value translated into the equivalent sterling rate ruling at 31 March 2001.

CONSOLIDATED REVENUE ACCOUNT

	2000-01 Gross Expenditure	2000-01 Gross Income	2000-01 Net Expenditure	1999-00 Net Expenditure (note 17)
	£	£	£	£
Expenditure on Services				
Education Services	71,304,844	7,461,195	63,843,649	59,987,478
Social Services	36,599,660	11,729,396	24,870,264	23,163,314
Cultural, Environmental & Planning Services	28,191,717	9,843,706	18,348,011	16,880,685
Highways, Roads & Transport	8,487,749	2,940,510	5,547,239	5,216,563
Fire Services	5,003,361	24,110	4,979,251	5,376,985
Housing Services (including Benefits)	35,460,093	32,713,404	2,746,689	2,664,152
Court & Probation Services	832,976	0	832,976	808,477
Central Services	2,986,878	2,263,248	723,630	1,091,759
Corporate & Democratic Core	3,728,267	501,821	3,226,446	3,381,811
Unapportionable Central Overheads	399,826	0	399,826	165,303
Net Cost of General Fund Services	192,995,371	67,477,390	125,517,981	118,736,527
Housing Revenue Account	878,122	966,138	(88,016)	100,021
Net Cost of Services	193,873,493	68,443,528	125,429,965	118,836,548
Amounts due to precepting authorities			436,006	416,921
Net deficit/(surplus) on statutory DSOs (note 6)			0	(81,269)
Transfer to Provisions & Reserves in lieu of interest (note 1)			942,400	863,714
Transfer to/(from) asset management revenue a/c (note 8)			(6,168,993)	(5,114,638)
Interest receivable			(1,695,139)	(1,489,387)
Net Operating Expenditure			118,944,239	113,431,889
Appropriations and Other Adjustments				
HRA surplus/(deficit) transferred to/(from) HRA balances			88,016	(100,021)
Contributions to/(from) reserves (note 2)			2,109,895	(1,002,002)
Financing of capital expenditure			0	1,255,596
Loss on Council Tax Subsidy			125,808	158,709
Amount to be met from government grants and local taxpayers			121,267,958	113,744,171
Sources of Finance				
Council Taxpayers			(38,121,440)	(36,148,708)
Central Government Grants			(46,562,793)	(45,473,448)
Non-Domestic rate income			(36,572,320)	(32,141,131)
Net general fund (Surplus)/deficit			11,405	(19,116)
Balance on general fund brought forward			(2,372,310)	(2,353,194)
Balance on general fund carried forward			(2,360,905)	(2,372,310)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Interest on Internal Balances

Interest on various funds is credited to the General Fund and is then appropriated to the various provisions and reserves concerned as a 'Transfer in lieu of interest'.

2. Transfer to and from Reserves

These transfers include unspent budgets in 2000-01 which are committed against 2001-2002 and unspent budgets in 1999-00 which were applied in 2000-01.

3. Agency Services

Under various statutory powers an authority may agree with other local authorities, water companies and government departments to do work on their behalf. This Council did not carry out any significant agency work during 2000-01.

4. Publicity

As required by Section 5 of the Local Government Act 1986 the total amount spent on publicity in the year including recruitment advertising, was £456,572 (£450,836 in 1999-00).

5. Local Authority Goods and Services Act 1970

Services provided to other public bodies under the powers provided by this Act were as follows:

	2000-01	1999-00
	£	£
Provision of Administrative, Professional and Technical Services	72,797	53,315
Hire	1,448	870
Works Relating to Land and Buildings	11,588	18,750
	85,833	72,935
	85,833	72,935

The services were provided to the I.W. Healthcare NHS Trust, Riverside Centre, South Wight and Medina Housing Associations, SCOPAC, Isle of Wight Youth Trust, the Probation Service, Parish Councils, Magistrates Court, I.W. Citizens Advice Bureau and the West Wight Regeneration Scheme.

In no case did this work represent a material proportion of the activity of the Isle of Wight Council departments concerned.

6. Statutory DSOs

The statutory obligation for authorities to submit specified activities to Compulsory Competitive Tendering and its associated requirements was abolished on 2 January 2000. In accordance with government advice, DSO accounts were maintained for the remainder of the financial year ended 31 March 2000. For 2000-01 all relevant costs are shown under the appropriate service heading.

7. Building Regulations Charging Account 2000-01

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control section divided between the chargeable and non-chargeable activities.

	Chargeable	Non Chargeable	Total Building Control
	2000-01	2000-01	2000-01
	£	£	£
Expenditure			
Employee expenses	192,144	75,091	267,235
Premises	3,080	0	3,080
Transport	15,092	5,030	20,122
Supplies and Services	23,523	3,872	27,395
Central and support service charges	74,221	15,154	89,375
Total Expenditure	308,060	99,147	407,207
Income			
Building Regulation charges	329,184	0	329,184
Miscellaneous income	0	776	776
Total Income	329,184	776	329,960
Surplus/(Deficit) for Year	21,124	(98,371)	(77,247)

8. Asset Management Revenue Account

The Asset Management Revenue account receives the charges to service departments for the use of capital assets and meets the cost of debt redemption and interest paid on external borrowing. The balance on the account as at 31st March 2001 is transferred to the Consolidated Revenue Account.

	£
Expenditure	
Provision for Depreciation	3,341,732
Less: Excess over Minimum Revenue Provision	(1,264,451)
External Interest	5,638,109
	7,715,390
Income	
Capital Charges to Services	(13,884,383)
Excess of capital charges over depreciation & interest	(6,168,993)

9. Government Grants

Central Government and EEC revenue grants towards specific services were received during the year totalling £42,821,530. These are included as income offsetting service expenditure in the revenue account.

10. Operating Leases

Operating lease payments totalling £376,260 were made during the year. As at 31 March 2001 future commitments on these leases amounted to £366,757 repayable within one year and £2,557,029 repayable thereafter.

11. Associated Companies

The Council has interest in eleven associated companies. Their net assets individually or jointly are not material to the accounts in 2000-01. The accounts of these companies have therefore not been consolidated into the financial statements of the Council.

Islecare Ltd previously ran residential homes. It was a company limited by guarantee in which the Council held 100% of the voting rights. It was therefore a controlled company. The company was dormant at the start of the financial year and was dissolved on 24 October 2000.

Islecare 97 Ltd runs and manages residential homes and properties. It is a company limited by shares in which the Council has a 19% holding. The net assets of the company are not material to the Council. The company is not influenced or regulated.

Island 2000 Ltd coordinates and runs projects which preserve and enhance the landscape of the Island by utilising Landfill Tax credits. It is a company limited by guarantee in which the Council holds 33% of the voting rights. It is an influenced company, but not regulated.

Hampshire and Wight Trust for Maritime Archaeology is a registered charity established to preserve maritime archaeology sites in the Solent. It is a company limited by guarantee in which the Council holds 10% of the voting rights. The net assets of the company are not material to the Council. It is not an influenced company or regulated.

The Isle of Wight Development Board Ltd was established to promote the economic development of the Island. It is a company limited by guarantee in which the Council has 100% of voting rights. It is a controlled company under the Local Government and Housing Act 1989. The net assets of the company are not material to the Council.

OSEL Enterprises Ltd provides employment for people with learning difficulties. It is a registered charity and a company limited by guarantee in which the Council has no voting rights. Over 33% of the company's income is derived from contracts with the Council. It is an influenced company not regulated.

Riverside Centre Ltd operates the multi-purpose Centre at Newport Quay. It is a company limited by guarantee in which the Council has a minority interest. A large proportion of the centre's income comes from the Council and it is therefore an influenced company not regulated.

The Island Partnership advises the Council on economic matters. It is a company limited by guarantee in which the Council has 25% voting rights. It is not an influenced company or regulated.

Island Youth Water Activities (Isle of Wight) Ltd operates the Cowes Watersports Centre. It is a company limited by guarantee in which the Council controls 33% of the voting rights. Approximately 50% of the company's income comes from the Council. It is an influenced regulated company.

Associated Companies (cont)

The Tourism Partnership provides an advisory service to the Council and the Southern Tourist Board. It is a company limited by guarantee in which the Council controls 50% of the voting rights. It is an influenced regulated company.

Cowes Town Waterfront Trust owns the freehold of Cowes Marina. It is a company limited by guarantee in which the Council currently controls 25% of the voting rights. The net assets of the company are not material to the Council's accounts. It is an influenced company not regulated.

12. Pension Costs - Local Government Pension Scheme

This scheme covers non-uniformed, non-teaching council staff. It is funded to cover 100% of pension liabilities on an actuarial basis. Basic fund contributions were:

	2000-01	1999-00
	£	£
Basic Contributions	2,817,227	2,464,244
(as a % of pensionable pay)	9.00	8.50
The capital cost of discretionary increases in pension payments are:	£	
(a) approved in the year	294,022	
(b) in earlier years for which payments are still being made	8,511,828	

13. Pension Costs - Teachers

The Teachers' scheme is operated by the Department for Education on the basis of a 'notional fund'. Contributions were as follows:

	2000-01	1999-00
	£	£
Basic Contribution	2,036,527	1,846,126
(as a % of pensionable pay)	7.40	7.20
Enhanced years payments	266,200	226,109

14. Pension Costs - Fire-fighters

This scheme operates on an unfunded, or 'pay-as-you-go' basis. Pension costs are set out below, together with an estimate of the full annual cost of funding the liabilities involved, and the cost of spreading the accrued unfunded liability over 40 years, as required by SSAP 24.

	2000-01	1999-00
	£	£
Charged to Revenue Account	760,304	757,723
(as a % of pensionable pay)	48.93	51.63
Full cost (per annum)	427,309	403,556
(as a % of pensionable pay)	27.50	27.50
Accrued liability spread over 40 years (per annum)	697,118	680,150
(as a % of pensionable pay)	44.86	46.34

15. Disclosure of Employees' Emoluments

The number of officers, teachers and other staff whose remuneration, excluding pension contributions, exceeded £40,000 were:-

Remuneration Band	2000-01		1999-00	
	Total	Left during year	Total	Left during year
£40,000 to £49,999	30	0	26	1
£50,000 to £59,999	8	1	6	0
£60,000 to £69,999	2	0	2	0
£70,000 to £79,999	2	0	1	0
£80,000 to £89,999	0	0	0	0
£90,000 to £99,999	1	0	1	0

16. Members' Allowances

The total amount of members' allowances paid in the year were £376,283 (£226,632 in 1999-00). This includes basic and special responsibility allowances.

17. Comparatives with Preceding Financial Year

The service descriptions shown in the 1999-00 Statement of Accounts Consolidated Revenue Account were in accordance with The Accounts and Audit Regulations 1996. For the 2000-01 financial year, the Statement of Recommended Practice (SORP) requires that the cost of services be presented using the Service Expenditure Analysis as set out in the Best Value Accounting Code of Practice.

For comparison purposes, it has been necessary to restate the 1999-00 net expenditure figures to show the costs in the new service expenditure format. However, it should be noted that certain definitions, particularly relating to the treatment of corporate and central administration costs, have changed between the two years.

18. Trading Operations

The Best Value Accounting Code of Practice sets out categories of trading operations which authorities should consider disclosing and detailing in a note to the Consolidated Revenue Account. For the financial year ending 31st March 2001, all such activities are included in the total cost of the relevant services and are therefore consolidated into the net cost of services. These operations are not considered to be material and therefore no separate disclosure has been made.

19. Related Parties Transactions

The 1998 statutory Code of Practice on Local Authority Accounting requires that all local authorities should disclose material transactions with related parties.

For the purposes of the Code, related parties to Isle of Wight Council are deemed to be:

- Central Government and other Public Bodies
- Any joint venture partners of Isle of Wight Council
- Any subsidiary company or associated companies of Isle of Wight Council
- Elected members
- Chief Officers
- The Council's pension fund

During the year, transactions with related parties arose as follows:-

	Payments
	£'000s
Environmental Agency Southern Region:-	
Land Drainage Precept	321
Southern Sea Fisheries Precept	56
Osel Enterprises Ltd	341
Riverside Centre Ltd	265
Island Youth Water Activities (IW) Ltd	49
	<hr/>
	1,032
	<hr/>

For elected members and chief officers, related parties also include:

- Members of close family
- Members of same household
- Companies, partnerships, trusts or other entities in which close family or members of the same household have a controlling interest.

A transaction is deemed to be:

- A transfer of assets (including cash) or liabilities
- Performance of services, irrespective of whether a charge is made
- Provision of a loan
- Provision of a guarantee

Elected members and Chief Officers were requested to disclose any related party transactions.

There are nine relevant and material disclosures from members and Chief Officers. The total value of these disclosures is £214,862.

HOUSING REVENUE ACCOUNT

	£	2000-01 £	1999-00 £
Income			
Gross Rental Income	(110,707)		(123,549)
Item 8 Determination (note 24)	(854,410)		(926,179)
Other Income	(1,021)		(4,787)
	-----		-----
Total Income		(966,138)	(1,054,515)
Expenditure			
Supervision & Management	70,009		102,558
Temporary Accommodation (note 20)	2,002		1,243
Rent Rebates (note 21)	8,759		8,233
Surplus on Notional HRA (note 24)	797,352		1,042,502
	-----		-----
Total Expenditure		878,122	1,154,536
		-----	-----
(Surplus)/deficit for year (note 25)		(88,016)	100,021
HRA balance brought forward		164,111	64,090
		-----	-----
HRA balance carried forward		76,095	164,111
		-----	-----

NOTES TO HOUSING REVENUE ACCOUNT

20. **Temporary Accommodation**
These costs relate to the provision of Council owned bed and breakfast accommodation and a small number of other temporary accommodation units.
21. **Rent Rebates**
Financial assistance is given to tenants under Housing Benefit regulations. Rebates granted form part of the overall calculation of Housing subsidy, to which the Council has no current entitlement.
22. **Rent Arrears**
As at 31st March 2001, rent arrears amounted to £3,525 and an equivalent provision has been made in the accounts. (£1,901 as at 31st March 2000).
23. **Housing Stock**
The Council's stock as at 31st March 2001 comprised 75 units of accommodation including 34 equivalent shared ownership dwellings and various temporary accommodation units.
24. **Notional HRA and Item 8 Determination**
These transfers between the HRA and General Fund are in accordance with Government determinations.
25. **The Housing Revenue Account (Isle of Wight) Direction 2001**
On the 30th March 2001 the Council was granted a direction permitting it to account for HRA properties outside the HRA with effect from 1st April 2001.

THE COLLECTION FUND

	2000-01	1999-00
£	£	£
Income		
Council Tax (note 27)	34,726,563	32,888,935
Transfers from General Fund		
Council Tax Benefits	5,945,856	5,961,227
Contribution re: Discretionary Relief	54,119	58,354
	5,999,975	6,019,581
Income collectable from business ratepayers (note 26)	18,715,269	18,260,957
	59,441,807	57,169,473
Expenditure		
Isle of Wight Council Precept	38,121,440	36,148,708
Police Precept	2,734,248	2,627,445
Business Rate		
Payment to National Pool	18,172,550	17,954,044
Costs of Collection	257,363	257,992
	18,429,913	18,212,036
Provision for Bad Debts	432,627	107,250
Adjustment of previous years' community charge	(2,316)	(5,765)
	59,715,912	57,089,674
Collection Fund Balance at 31st March		
	2000-01	1999-00
	£	£
Balance on Fund at start of year	(383,200)	(303,401)
Deficit/(surplus) for Year	274,105	(79,799)
Balance on Fund Carried Forward	(109,095)	(383,200)

NOTES TO THE COLLECTION FUND

26. The total non-domestic rateable value at 31 March 2001 was £56,322,353 and the non-domestic rate multiplier for the year was 41.6p. The amount of non-domestic rates collectable takes into account the fact that rateable value reductions have in many cases been backdated for a number of years.

27. The following details the number of properties in each valuation band of the tax base for 2000/01:-

A	B	C	D	E	F	G	H
6,205	12,934	13,325	10,423	5,738	2,506	1,188	73

These equated to 49,517.9 Band D equivalent properties and after making a 0.8% allowance for non-collection and changes in the valuation list, a tax base of 49,121.6 was approved.

28. The following precepts were made on the fund in 2000-01:-

	£
Isle of Wight Council	38,121,440
Police	2,734,248
Total	<u>40,855,688</u>

CONSOLIDATED BALANCE SHEET

31 March 2000		31 March 2001
£		£
	Net Fixed Assets (note 29)	
151,887,501	Land and Buildings	157,157,520
25,814,979	Infrastructure	28,459,054
6,538,684	Vehicles, Plant, Furniture & Equipment	6,951,971
1,625,908	Community Assets	1,660,079
<hr/> 185,867,072		<hr/> 194,228,624
1,688,235	Deferred Charges (note 29)	1,328,582
67,604	Investments (note 32)	68,770
1,710,439	Long Term Debtors (note 30)	1,352,209
<hr/> 189,333,350	Total Long Term Assets	<hr/> 196,978,185
	Current Assets	
614,820	Stock & Work in Progress (note 31)	632,060
7,910,874	Debtors & Payments in Advance (note 33)	8,929,037
23,050,000	Temporary Advances (note 35)	21,700,000
534,459	Cash in bank and in hand	898,042
<hr/> 32,110,153		<hr/> 32,159,139
	Current Liabilities	
12,053,164	Creditors & Receipts in Advance (note 34)	15,703,300
6,959,738	External Borrowing repayable within one year (note 36)	582,813
3,256,357	Bank Overdraft	2,549,141
<hr/> 22,269,259		<hr/> 18,835,254
<hr/> 9,840,894	Net Current Assets/(Liabilities)	<hr/> 13,323,885
	Long Term Liabilities	
77,798,420	External Borrowing repayable in more than one year (note 36)	86,497,472
857,767	Deferred Credits (note 41)	622,758
6,309,501	Provisions (note 39)	7,399,173
<hr/> 84,965,688		<hr/> 94,519,403
<hr/> 114,208,556	Total Net Assets	<hr/> 115,782,667
	Financed By	
10,809,155	Earmarked Reserves (note 40)	13,358,422
67,674,431	Fixed Asset Restatement Reserve (note 42)	67,453,221
28,214,852	Capital Financing Reserve (note 43)	29,360,582
2,217,507	Capital Receipts Unapplied (note 37)	737,521
2,701,212	Capital Grants Unapplied (note 38)	2,479,016
2,372,310	General Fund Balance	2,360,905
(164,111)	Housing Revenue Account	(76,095)
383,200	Surplus/(Deficit) on Collection Fund	109,095
<hr/> 114,208,556	Total Reserves	<hr/> 115,782,667

NOTES TO THE CONSOLIDATED BALANCE SHEET

29. Fixed Assets

Movement in fixed assets were as follows:

	Land and Buildings £	Infrastructure £	Vehicles Plant Furniture & Equipment £	Community Assets £	Total £
Balance at 1 April	151,887,501	25,814,979	6,538,684	1,625,908	185,867,072
Expenditure in year	8,341,748	2,644,075	880,710	57,961	11,924,494
Depreciation	(2,850,519)	0	(467,423)	(23,790)	(3,341,732)
Disposals	(678,000)	0	0	0	(678,000)
Revalued in year	456,790	0	0	0	456,790
Balance at 31 March	157,157,520	28,459,054	6,951,971	1,660,079	194,228,624

The main items of capital expenditure were:-

	£
Road Improvements	1,863,397
Sandown Dinosaur Museum	1,376,807
Housing Association Grants	1,096,915
Housing Improvement Grants	1,168,591
Sandham Middle School – Extension	736,841
Carisbrooke High School – Additional Teaching/Art Block	544,616
Cowes High School – Increased 6 th Form Accommodation	512,357

In addition, major contracts had been entered into with the following outstanding sums at 31 March 2001:-

	£
Dinosaur Museum, Sandown	335,643
Northwood Primary School	480,443

Deferred Charges

During the financial years 1994-95 and 1995-96 a total of £2,022,794 was charged to capital account in respect of revenue costs associated with Local Government Reorganisation. This was financed by the application of Supplementary Credit Approvals (SCAs) issued by the Department of the Environment. Under regulations relating to local government reorganisation the deferred charges will be charged to the Revenue Account over a period of seven years, commencing four years from the application of each SCA. The first charge to revenue was made in the 1998-99 financial year in respect of SCA applied in 1994-95.

Movement in Deferred Charges

	Balance at 1 April £	Expenditure in year £	Written out in year £	Balance at 31 March £
Improvement Grants	0	1,168,591	(1,168,591)	0
Housing Association Grant	68,510	1,096,915	(1,165,425)	0
Reorganisation Costs	1,619,725	0	(291,143)	1,328,582
Single Regeneration Budgets	0	1,438,046	(1,438,046)	0
Other Expenditure	0	407,644	(407,644)	0
Total	<u>1,688,235</u>	<u>4,111,196</u>	<u>(4,470,849)</u>	<u>1,328,582</u>

Capital Expenditure in 2000-01 was financed as follows:-

	£
Credit Approvals	8,236,302
Revenue	0
Capital Receipts	3,219,467
Government Grant	4,094,784
Accrued Expenditure unfinanced	485,137
Total	<u>16,035,690</u>

In addition, accrued expenditure of £41,477 from 1999-00 was financed from capital receipts.

Information on Fixed Assets

An analysis of fixed assets at 31 March is:

	2001	2000
Libraries	11	11
Museums	3	3
Tourist Information Centres	4	4
Allotment sites	21	21
Parks & Amenity Areas	106	106
Theatres	2	2
Shanklin Lift	1	1
Leisure Centres	2	2
Schools *	46	47
incorporating - sports centres	3	2
- theatre	1	1
- swimming pool	1	1
Other Educational properties *	20	21
Fire Stations	10	10
Crematorium	1	1
Courts	1	1
Cemeteries	12	12
Cemetery Lodges	2	2
Guildhall	1	1
Waste Derived Fuel Plant	1	1
Refuse Disposal Sites	2	2
Toilet Blocks	80	80
Harbours	2	2
Residential Homes for the Elderly	4	4
Resource Centres for the Elderly	2	2
Group Homes	8	8
Children's Homes and Family Centres	1	1
Day/Community Centres	12	12
Other Social Services Properties	15	15
Hostels	1	1
Highways Depots and Other Premises	9	9
Roads and Bridges (Km)	797.3	797.3
Chain Ferry and Terminals	1	1
Smallholdings	7	7
Industrial Estates	8	8
Council Dwellings	5	5
Garage Sites	3	3
County Hall	1	1
Other Office Premises	28	28
Other Premises	29	29
Vehicles and Major Plant - owned	114	128
- leased	108	88
Car Parks	77	77
Cycleways, 4 in number (km)	13.5	13.5
Coastal Defences (km)	38.5	38.5

* Excluding church schools not owned by Isle of Wight Council.

30. Long Term Debtors

Long term debtors consist mainly of mortgages to private householders and loans to employees for car purchase. These loans are repayable over varying periods, interest being charged at nationally determined rates. At 31 March 2001 the balance amounted to £1,352,209.

31. Stocks and Work-in-Progress

	31 March 2001	31 March 2000
	£	£
Works-in-Progress	88,895	94,065
Stocks	543,165	520,755
	<hr/> 632,060 <hr/>	<hr/> 614,820 <hr/>

32. Investments

These comprise £15,930 in Government Stocks (1999-00 £15,930) and an interest earning returning deposit of £4,855 with, and an equity holding of £31,000 in, the former Wiltshire County Council based Consortium for Purchasing and Distribution (CPD), of which the Council is a member. Wiltshire County Council sold their interest in November 1995 to CPD Ltd which is a private sector company. Under the terms of the sale, the deposit and equity holding are being repaid by instalments over a seven year period commencing in April 1999. There is also a temporary investment of £16,985 with the Isle of Wight Council Pension Fund.

33. Debtors and Payments in Advance

	31 March 2001	31 March 2000
	£	£
Government Departments	3,002,214	1,712,258
Local Taxpayers	1,911,879	1,556,593
Other Organisations and Individuals	5,603,194	5,982,250
	<hr/> 10,517,287 <hr/>	<hr/> 9,251,101 <hr/>
less Provision for Bad Debts	(1,588,250)	(1,340,227)
	<hr/> 8,929,037 <hr/>	<hr/> 7,910,874 <hr/>

34. Creditors and Receipts in Advance

	31 March 2001	31 March 2000
	£	£
Government Departments	3,592,823	2,010,035
Local Taxpayers	1,299,879	1,027,676
Other Organisations & Individuals	10,810,598	9,015,453
	<hr/> 15,703,300 <hr/>	<hr/> 12,053,164 <hr/>

35. Temporary Advances

The amount shown at 31 March 2001 principally involved the temporary investment of surplus cash flows and internal funds.

36. External Borrowing

	31 March 2001	31 March 2000
	£	£
Repayable in 1-2 years	962	3,000,948
Repayable in 2-5 years	2,688,934	7,852,950
Repayable in 5-10 years	8,005,526	27,729,318
Repayable in more than 10 years	75,802,050	39,215,204
	<hr/> 86,497,472	<hr/> 77,798,420
Repayable in less than one year	582,813	6,959,738
	<hr/> 87,080,285	<hr/> 84,758,158
Of which, Public Works Loan Board (PWLB)	80,496,478	77,797,511

During the year £30,888,000 of PWLB debt was rescheduled using quota agreed by the PWLB.

37. Useable Capital Receipts

Capital Receipts are generated mainly from the sale of fixed assets. A prescribed proportion of each receipt must be 'set aside', to be used either in debt redemption, or to finance capital spending which otherwise could have been met from borrowing. The remaining portion can be used for debt redemption, or to finance capital spending over and above that allowed by Government borrowing limits. In 2000-01 £6,432 was applied to unfunded expenditure in respect of previous years and £41,477 was applied to accrued expenditure from 1999-00.

	31 March 2001	31 March 2000
	£	£
Balance at beginning of year	2,217,507	643,431
Sale of Capital Assets	1,787,390	3,890,214
	<hr/> 4,004,897	<hr/> 4,533,645
Less: Applied to capital	(3,267,376)	(2,316,138)
Balance at end of year	<hr/> 737,521	<hr/> 2,217,507

38. Capital Grants

Capital Grants towards the cost of capital projects are generally applied as expenditure is incurred.

	31 March 2001 £	31 March 2000 £
Balance at beginning of year	2,701,212	458,822
Capital Grants Received	3,872,588	5,996,906
	6,573,800	6,455,728
Less: Applied to Capital	(4,094,784)	(3,754,516)
Balance at end of year	2,479,016	2,701,212

39. Provisions

	Balance 1 April £	Receipts £	Payments £	Balance 31 March £
Insurance Liabilities Fund	5,907,636	1,304,033	473,319	6,738,350
Voluntary Redundancy Fund	253,448	91,420	0	344,868
Holiday Pay Provision	85,105	5,193	0	90,298
Cash Management Provision	17,062	0	17,062	0
Magistrates' Court Liabilities	15,000	0	0	15,000
Claims Against Highways Authority	31,250	1,907	0	33,157
Waste Management Contract Claims	0	177,500	0	177,500
	6,309,501	1,580,053	490,381	7,399,173

40. Earmarked Reserves

	Balance 1 April £	Contributions £	Payments £	Balance 31 March £
Capital Slippage Reserve	330,410	393,001	62,037	661,374
Repairs & Renewals Funds	3,213,446	699,832	454,441	3,458,837
General Earmarked Reserves	1,147,471	1,063,318	249,371	1,961,418
School Delegated Balances	1,960,909	1,062,365	496,229	2,527,045
General Insurance Reserves	2,454,031	832,125	735,367	2,550,789
Other Reserves	1,702,888	841,607	345,536	2,198,959
	10,809,155	4,892,248	2,342,981	13,358,422

The Capital Slippage Reserve provides a source of finance for capital projects in future years. In particular, it allows financing resources associated with delayed projects to be carried forward until the related expenditure is incurred.

The Repairs and Renewals Funds is a central contingency to meet significant items of unforeseen expenditure.

General Earmarked Reserves provide finance for past underspendings which represent a commitment against future years' budgets, and include sums provided to meet costs incurred as a result of last winter's adverse weather.

School balances represent cumulative underspendings by delegated budget holders under Schemes for Financing Schools. The law requires that these underspendings are carried forward, for future use by the school concerned.

The General Insurance Reserves provide the means to take additional categories of insurance risk in-house in the future, should that be deemed advantageous.

41. Deferred Credits

This refers principally to outstanding amounts on mortgages made to private householders (former Council tenants) and other sundry loans.

42. Fixed Asset Restatement Reserve

Changes to asset values on revaluation or disposal are transferred to this reserve. It is not available to finance expenditure.

43. Capital Financing Reserve

The Local Government and Housing Act 1989 provides for certain sums to be 'set aside' for the redemption of debt or for financing new capital expenditure for which borrowing would otherwise have been required. Each year, the Council is required to set aside a proportion of its credit limit at the start of the year, plus Government prescribed proportions of the proceeds of asset sales. This reserve is not available to finance Capital Expenditure.

	£
Balance as at 1 April 2000	28,214,852
Minimum Revenue Provision Adjustment	(1,264,451)
Financing of Deferred Charges	(4,470,849)
Set Aside Receipts	1,167,850
Useable Receipts Applied	3,267,376
Capital Grants Applied	4,094,784
Loan Repayment Applied	(1,648,980)
Balance as at 31 March 2001	29,360,582

44. Provision for Credit Liabilities (Memorandum Account)

The Local Government and Housing Act 1989 requires that the Council set aside annually a specified minimum sum (Minimum Revenue Provision) from Revenue Account to a Provision for Credit Liabilities (PCL). The PCL can be used for the repayment of external loan debt or in lieu of any use of Credit Approvals.

	£
Balance as at 1 April 2000	5,332,676
Minimum Revenue Provision	1,786,138
Housing Association Grant	1,096,915
Reserved Capital Receipts	70,935
	<hr/>
	8,286,664
Applied in Year	7,186,315
	<hr/>
Balance as at 31 March 2001	1,100,349
	<hr/>

45. Government Grants

Capital Grants of £4,094,784 relating to infrastructure have been credited to the Capital Financing Reserve. These principally relate to Home Improvement Grants, Transport Supplementary Grants and Coast Protection Schemes.

46. Trust Funds and Other Balances

The Council holds a number of small trust funds and balances on behalf of others which are not included in the Consolidated Balance Sheet. These include cash held in safekeeping for residents of old peoples' homes and amenities funds set up to provide facilities at particular establishments from the proceeds of fund raising and bequests.

	31 March 2001	31 March 2000
	£	£
Trust Funds Etc	115,993	112,925
Cash in Safekeeping	6,075	6,325
Amenity Funds	69,502	64,767
	<hr/>	<hr/>
	191,570	184,017
	<hr/>	<hr/>

47. Contingent Liabilities

The Council has indemnified the South Wight Housing Association in respect of the cost of any defects that would have led to a reduction in the transfer valuation of the former South Wight Borough Council housing stock, had a full survey been made on an individual property basis. The potential liability has not been quantified.

Impairment of Fixed Assets as recognised by Financial Reporting Standard (FRS) 11 has occasioned relating to significant landslips, the final costs of which are currently being evaluated.

The Council is the guarantor of rent for two buildings currently operated by the Isle of Wight Partnership.

A contractual dispute with Island Waste Services concerning the treatment of green waste may have a potential cost of £2.7 million over eighteen years.

The Council could face a potential cost of up to £500,000 claims in respect of changes made before 1st April 2000 under Section 117 of the Mental Health Act.

CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2001

	2000-01	1999-00
Revenue Activities	£	£
<u>Cash Outflows</u>		
Cash paid to and on behalf of employees	78,447,924	74,953,093
Other operating cash payments	94,590,478	95,690,753
	173,038,402	170,643,846
<u>Cash Inflows</u>		
Rents	(714,063)	(625,671)
Council Tax Income	(35,074,840)	(33,277,795)
Non-Domestic Rate Income	(37,080,454)	(34,151,455)
Revenue Support Grant	(46,562,793)	(45,473,448)
Other Government Grants	(40,937,789)	(41,381,961)
Cash Received for Goods and Services	(25,916,347)	(24,796,704)
	(13,247,884)	(9,063,188)
Revenue Activities Cash Flow (note 49)		
<u>Servicing of Finance</u>		
Interest paid	5,638,109	5,662,303
Interest Received	(1,695,139)	(1,240,720)
	(9,304,914)	(4,641,605)
<u>Capital Activities</u>		
<u>Cash Outflows</u>		
Purchases of Fixed Assets	11,924,495	13,345,549
Other Capitalised Expenditure	4,111,196	2,809,131
<u>Cash Inflows</u>		
Sale of Fixed Assets	(1,787,390)	(3,890,214)
Capital Grants Received	(3,872,588)	(5,996,906)
	(5,659,978)	(9,887,120)
	10,375,713	6,267,560
Net Cash (Inflow)/Outflow Before Financing	1,070,799	1,625,955
<u>Financing</u>		
Repayments of Amounts Borrowed & Temporary Advances	5,027,873	8,960,135
New Loans Raised	(8,700,000)	(10,800,000)
	(3,672,127)	(1,839,865)
(Increase)/Reduction in cash and cash equivalents (note 50)	(2,601,328)	(213,910)

Note 48

The cash flow statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Reconciliation to the Consolidated Revenue Account surplus and the Consolidated Balance Sheet cash figure is provided in Notes 49 and 50.

Note 49

	2000-01	1999-00
	£	£
General Fund movement as per Consolidated Revenue Account	11,405	(19,116)
Increase/(reduction) in Stock and Work in Progress	17,240	(15,989)
Increase/(reduction) in Debtors	1,018,163	(1,100,849)
(Increase)/reduction in Creditors	(3,650,136)	700,934
Transfers to/(from) Reserves & other non-cash transactions	(6,701,586)	(2,950,989)
Capital Spending Funded from Revenue	0	(1,255,596)
Interest Payments	(5,638,109)	(5,662,303)
Interest Receipts	1,695,139	1,240,720
Revenue Activities Net Cash Flow	(13,247,884)	(9,063,188)

Note 50

	2000-01	1999-00
	£	£
Consolidated Balance Sheet Movements		
(Increase)/Reduction in Bank Overdrawn	707,216	1,593,300
Increase/(Reduction) in Cash in Hand	363,583	32,655
(Increase)/Reduction in Short Term Loans	6,376,925	(4,642,761)
(Increase)/Reduction in Long Term Loans	(8,699,052)	(4,747,104)
Increase/(Reduction) in Bank Advances	(1,350,000)	7,550,000
(Increase)/Reduction in Cash and Cash Equivalents	(2,601,328)	(213,910)

STATEMENT OF TOTAL MOVEMENTS ON RESERVES

	2000-01	1999-00
	£	£
Surplus/(deficit) for the year:		
General Fund	(11,405)	19,116
Housing Revenue Account	88,016	(100,021)
add back Movements on specific revenue reserves	2,275,162	765,291
Total Increase/(decrease) in revenue resources	2,351,773	684,386
Increase/(decrease) in usable capital receipts	(1,479,986)	1,574,076
Increase/(decrease) in unapplied capital grants & contributions	(222,196)	2,242,390
Total Increase/(decrease) in realised capital resources (note 1)	(1,702,182)	3,816,466
Gains/(losses) on revaluation of fixed assets	456,790	2,626,810
Impairment losses on fixed assets due to general changes in prices	0	0
Total Increase/(decrease) in unrealised value of fixed assets (note 2)	456,790	2,626,810
Value of assets sold, disposed of or decommissioned (note 3)	(678,000)	(2,324,568)
Capital receipts set aside	4,435,226	3,433,128
Revenue resources set aside	(2,913,431)	42,678
Movement on Government Grants Deferred	(376,065)	786,256
Total Increase/(decrease) in amounts set aside to finance capital investment (note 4)	1,145,730	4,262,062
Total recognised gains & losses	1,574,111	9,065,156

Notes to the Statement of Total Movements on Reserves

	Usable capital Receipts	Unapplied Capital grants & Contributions
	£	£
1. Movements in realised capital resources		
Amounts receivable in 2000/01	1,787,390	3,872,588
Amounts applied to finance new capital investment in 2000/01	(3,267,376)	(4,094,784)
Total increase/(decrease) in realised capital resources in 2000/01	(1,479,986)	(222,196)
Balance brought forward at 1 April 2000	2,217,507	2,701,212
Balance carried forward at 31 March 2001 (see notes 37 & 38)	737,521	2,479,016

	Fixed asset restatement reserve £
2. Movements in unrealised value of fixed assets	
Gains/losses on revaluation of fixed assets in 2000/01	456,790
Impairment losses on fixed assets due to general changes in prices in 2000/01	0
	<hr/>
Total increase/(decrease) in unrealised capital resources in 2000/01	456,790
3. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals in 2000/01	(678,000)
	<hr/>
Total movement on reserve in 2000/01	(221,210)
Balance brought forward at 1 April 2000	67,674,431
	<hr/>
Balance carried forward at 31 March 2001 (see note 42)	67,453,221
	<hr/>
	Capital Financing Reserve £
4. Movements in amounts set aside to finance capital investment	
Capital receipts set aside in 2000/01:	
- reserved receipts	1,167,850
- usable receipts applied	3,267,376
	<hr/>
Total Capital receipts set aside in 2000/01	4,435,226
Revenue resources set aside in 2000/01:	
Capital expenditure financed from revenue	0
reconciling amount for provisions for loan repayment	(1,648,980)
	<hr/>
Total Revenue resources set aside in 2000/01	(1,648,980)
Grants applied to capital investment in 2000/01	4,094,784
Amounts credited to the asset management revenue account in 2000/01	(1,264,451)
	<hr/>
Movement on Government Grants Deferred	2,830,333
	<hr/>
Total increase/(decrease) in amounts set aside to finance capital investment	1,145,730
Total movement on reserve in 2000/01	1,145,730
Balance brought forward at 1 April 2000	28,214,852
	<hr/>
Balance carried forward at 31 March 2001 (see note 43)	29,360,582
	<hr/>

ISLE OF WIGHT COUNCIL PENSION FUND

Fund Account for year ended 31 March 2001

	2000-01	1999-00
	£	£
Contributions and Benefits		
Contributions receivable:		
From Employers	(3,303,474)	(2,914,370)
From Employees or Members	(2,140,751)	(1,991,691)
Transfers in	(1,889,275)	(2,115,339)
Other Income	(5,760)	(5,626)
	<hr/>	<hr/>
	(7,339,260)	(7,027,026)
Benefits Payable		
Pensions	6,657,737	6,484,704
Lump Sums (including retirement & death benefits)	1,236,711	942,864
Payments to and on account of leavers:-		
Refunds of contributions	15,445	27,219
Transfers out	409,243	443,338
Administrative and other expenses	295,610	246,236
	<hr/>	<hr/>
	8,614,746	8,144,361
Sub Total: net withdrawals from dealings with members	<hr/>	<hr/>
	(1,275,486)	(1,117,335)
 Returns on Investments		
Investment income (see analysis below)	5,882,745	6,392,427
Change in market value of investments (realised & unrealised)	(15,757,575)	13,795,974
Investment management expenses	(290,860)	(298,655)
	<hr/>	<hr/>
Sub total - Net returns on investments	(10,165,690)	19,889,746
Net increase (decrease) in the fund during the year	<hr/>	<hr/>
	(11,441,176)	18,772,412
Opening Net assets of the scheme	188,027,237	169,254,825
	<hr/>	<hr/>
Closing Net assets of the scheme	176,586,061	188,027,237
 Analysis of Investment Income:		
Fixed Interest	1,244,074	1,522,952
Equities	3,104,216	3,159,435
Index Linked	153,313	152,893
Unit Trusts - Property	417,607	413,118
- Other	256,203	322,422
Interest	707,332	821,607
	<hr/>	<hr/>
	5,882,745	6,392,427

ISLE OF WIGHT COUNCIL PENSION FUND

Net Assets Statement as at 31 March 2001

	2000-01	1999-00
Investments at market value:		
Fixed Interest	26,923,217	25,031,555
Equities	107,237,877	115,141,710
Index Linked	4,724,232	5,300,356
Unit Trusts – Property	7,898,297	7,625,537
Unit Trusts - Other	18,415,431	23,664,845
	<hr/>	<hr/>
	165,199,054	176,764,003
Cash - Schroder Investment Management	10,277,302	10,440,010
- Isle of Wight Council	(16,985)	301,355
Other net assets:		
Debtors - Government	17,368	18,238
- admitted bodies	59,767	56,339
- interest	48,847	51,946
- security sales	748,649	1,313,624
- dividends	740,395	646,659
- other	67,501	60,684
	<hr/>	<hr/>
	1,682,527	2,147,490
Less:		
Creditors - security purchases	(431,078)	(1,409,111)
- other	(124,759)	(216,510)
	<hr/>	<hr/>
	(555,837)	(1,625,621)
	<hr/>	<hr/>
Net Assets	176,586,061	188,027,237
	<hr/>	<hr/>

ISLE OF WIGHT COUNCIL PENSION FUND

1. Operation and Membership

The Fund is administered by the Council to provide retirement benefits for the majority of local government employees throughout the Isle of Wight, with the exception of Teachers, Firemen and Policemen. Membership of the Local Government Scheme is available to most employees between the ages of 16 and 65.

Employees have a right to 'opt out' of the Scheme and rely on alternative schemes such as the State Earnings Related Scheme (SERPS) or a Personal Pension Scheme.

In addition to the employees of the Isle of Wight Council, some of the employees of the following bodies participate in the Fund.

Cowes Harbour Commissioners
Yarmouth (IW) Harbour Commissioners
St Catherines School Ltd
Trustees of Carisbrooke Castle Museum
IW Society for the Blind
Isle of Wight Magistrates' Courts Committee
Isle of Wight Rural Community Council
South Wight Housing Association Ltd
Medina Housing Association Ltd
Island Group 90 Ltd
Isle of Wight College
Riverside Centre Ltd
Osel Enterprises Ltd
Planet Ice (IOW) Ltd
Island 2000 Trust Ltd

At 31 March 2001

	Council	Other	Total
Number of Contributors	3,654	279	3,933
Contributing	£1,884,500	£256,251	£2,140,751
Pensions paid	£6,815,793	£1,078,654	£7,894,447

Contributions to the Fund by employees were made at 6% pensionable pay. However, employees who hold lower rate rights are entitled to make contributions at 5% of pensionable pay.

The rate at which the employers contribute to the Fund is determined by the actuarial valuations of the Fund (See Note 7)

There were 2,000 pensions in payment from the Fund in respect of former employees and their dependants and 1,304 former employees who have entitlement to preserved benefits.

During 2000-01, 840 purchases and 680 sales of investments took place following broad guidelines accepted by an investment panel which comprised Councillors Mrs Lawson, Barton, Bowker, Harris, Huggins, Mundy, Pearson and the Director of Finance and Information.

The cost of purchases amounted to £92,858,671 and the net proceeds received from the sales totalled £89,071,078. The Funds managing agents for the period were Schroder Investment Management (UK) Ltd.

At 31 March 2001 the number of individual holdings was as follows:

UK Equities	90
Overseas Securities	211
UK Government Securities	13
Overseas Government Securities	1
Overseas Debenture	1
Corporate Bonds	14
International Bond	1
Unit Trusts	9
Property Unit Trusts	2
	342

Net new money coming into the Fund in 2000-01, that is to say the surplus of contributions and investment income over benefit payments and expenses, amounted to £4,316,400 compared to £4,976,437 in 1999-00.

The net assets of the fund at 31 March 2001 totalled £176,586,061, a reduction of 6.08% on the 1999-00 valuation of £188,027,237.

Provided below is a list of the 10 largest investments at 31 March 2001 including the percentage of the total market value.

Stock	Value	%
Schroder Instl. International Bond (PFPV) Series 2 Accumulation	14,638,251	8.86
BP Amoco PLC Ordinary USD0.25 UK Listing	6,729,654	4.07
Vodafone Group PLC Ordinary USD0.10	6,177,193	3.74
GlaxoSmithkline PLC Ordinary 25p	6,053,208	3.66
Schroder Instl. Pacific Fund Income Units	5,746,811	3.48
Schroder Exempt Property Units GBP10	5,679,897	3.43
Schroder Instl UK Smaller Cos Fund Income Units	4,426,754	2.68
HSBC Holdings PLC Ordinary USD0.50	4,137,752	2.50
AstraZeneca Group PLC Ordinary USD0.25	4,032,000	2.44
Shell Transport & Trading Company Ordinary 25p	3,372,800	2.04

Analysis of market value under the management of Schroder Investment Management (UK) Ltd at 31 March 2001:-

	UK £	Foreign £	Total £
Listed	107,748,139	51,699,481	159,447,620
Unlisted	5,682,861	68,573	5,751,434
Total	113,431,000	51,768,054	165,199,054

Analysis of Market value at 31 March 2001 by Industrial Sector see Appendix A.

	31 March 2001	31 March 2000	% Change
FT Actuaries - All Share Index	2711.40	3110.56	-12.83
FT Actuaries - World (ex-UK) Index	299.26	355.22	-15.75

2. Trustees Report

The Trustees of the Pension Fund are the members for the time being of the Investment Panel as named in Note 1 above.

The performance of the Fund under the management of Schroder Investment Management (UK) Ltd has remained marginally ahead of the median fund over nine complete years of their mandate.

The 2000/01 financial year saw an overall reduction in the funds value, although the reduction was lower than that in the performance benchmark. The market value of the Fund at 31st March 2001 was £176,586,061 a fall of 6.08% on the 31st March 2000 valuation.

3. Investment Review (Produced by Schroder Investment Management (UK) Ltd)

Fund Performance

The table below shows the performance of the Fund against its benchmark.

	1 Year	3 Years
	%	% p.a.
Fund	-5.4	3.8
Benchmark*	-6.5	4.6

*WM Local Authority Median including property (latest quarter based on index returns)

Asset Allocation

The following table shows the Fund's asset allocation against the benchmark over the past 12 months.

	Fund		Benchmark*
	31.3.00	31.3.01	31.3.01
	%	%	%
Equities Total	73.9	71.3	71.3
UK	52.2	50.8	49.5
North America	1.0	2.8	3.4
Europe	9.3	9.8	8.9
Japan	5.3	2.4	4.3
Pacific Basin ex Japan	2.8	3.3	3.1
Emerging Markets	3.3	2.2	2.1
Other Assets Total	26.1	28.7	28.7
UK Fixed Interest	6.3	7.0	7.3
Overseas Fixed Interest	7.0	8.3	6.5
UK Index Linked	2.3	2.0	4.2
Overseas Index Linked	0.5	0.6	0.0
Property	4.1	4.5	4.0
Cash	5.9	6.3	6.7
Total	100.0	100.0	100.0

* WM Local Authority weighted average including property

During the year, policy remained generally cautious on global equity markets. The Fund stayed underweight US equities throughout the period as interest rates rose and the economy began to slow. However, during the second half of the year the Fund added to positions in equities, in both the US and the UK, in anticipation of rate cuts in the first half of 2001. Preference throughout the period has been for Europe, where companies have benefited from a number of factors, including currency weakness and structural change.

Market Returns

The following table shows the returns in sterling percentage terms of each of the major global markets over 1, 3 and 5 years to 31.3.01.

	1 Year %p.a.	3 years %p.a.	5 years %p.a.
FTSE All-Share Index	-10.8	1.5	11.1
S&P 500 Composite	-12.3	8.6	15.5
FTSE W Europe ex UK Index	-11.4	5.5	12.9
Tokyo Stock Exchange	-30.8	9.3	-5.9
FTSE W Pacific ex Japan Index	-11.9	2.4	-5.6
MSCI Emerging Markets Free Index	-28.1	-3.3	-5.0
FTA Government Securities All Stocks	7.4	7.5	10.1
FTA Government Index-Linked	1.2	7.2	9.3
Local Authority 7-day £ deposit	6.0	6.1	6.3

Source: Datastream

Market Review

Rising interest rates and consequent threats of a global economic slowdown (especially in the US) increasingly served to undermine confidence in equity markets as the year 2000 progressed. One particular feature was the bursting of the speculative “bubble” in technology-related stocks which had previously performed very strongly. For much of the period under review, this sector of the market was characterised by particularly sharp falls in prices. Even “old economy” stocks did not prove immune as investors’ concerns shifted from the plight of Euro and the surge in energy prices to the uncertainty surrounding the outlook for corporate profitability. This resulted in negative overall returns from global equity markets. With inflation remaining low, and anticipation of lower interest rates (the Federal Reserve did cut rates by 1.5% to 5% in Q1 2001) global bonds offered a relatively safe haven during the period of equity market weakness.

UK

The UK equity market saw considerable volatility throughout 2000, driven by conflicting pressures of weakening corporate earnings and increasing confidence that interest rates had peaked. The tech sell-off proved dramatic from March onwards, and despite a slight rebound due to US interest rate cuts in January 2001, the sector still under performed significantly over the period. Overall, investors generally preferred “defensive” stocks due to the perceived lack of earnings visibility and the high volatility in the rest of the market. After almost a year of base rate stability, the Monetary Policy Committee cut interest rates in February 2001 by 25 basis points to 5.75%.

US

Similar to the UK, the US saw a sharp tech sell-off throughout the period under review. A series of high profile profit warnings resulted in weakening investor confidence and the NASDAQ Composite technology index (which had peaked at over 5000 in March 2000) fell to 1840 by the end of the period. In 2001, while the US was in its early stages of inventory correction, the Federal Reserve reacted to the slowdown in growth by lowering interest rates three times, each by 0.5%. Despite the Fed.’s move to ensure that the downturn did not turn into a recession, a stream of profit warnings kept investor sentiments mixed, with some predicting a ‘hard landing’ for the US economy after many years of strong growth.

Europe

Europe generally experienced a period of strong growth supported by increasing confidence, export orders and the competitiveness of the Euro. Although the region was affected by the many of the fears that characterised other global markets, European equity markets were to an extent supported by bid activity and corporate restructuring. However, by the end of the year, leading indicators had started to signal a slowdown in activity. Although domestic European growth was firm, exports began to decelerate in response to weaker overseas demand and as signs increasingly suggested that the slowdown in the US was impacting the European markets.

Japan

Japanese activity continued to rise in the second quarter of 2000 led by increases in industrial production and public works spending. However soon thereafter, doubts about the sustainability of economic recovery quickly began to emerge and capital inflows weakened. The Bank of Japan’s decision in August to end the zero interest rate policy had a negative effect on the equity market, which has already been shaken by the bankruptcy of Sogo in July. In the year 2001 confidence improved as a result of the re-implementation of the zero interest rate policy once again and the government’s intervention to support equity markets. However international investors remained concerned about the prospects of the Bank of Japan’s inability to stimulate growth through monetary and fiscal policy, combined with political uncertainty.

Asia Pacific

Despite strong growth earlier on in the region, higher interest rates began to subdue equities from the second quarter of 2000. A deteriorating monetary climate, accompanied by fears of declining corporate earnings elsewhere in the world, also had a disproportionate effect on the Pacific region although early 2001 saw the markets benefit from the interest rate cut in the US. However this proved to be short lived as a stream of profit warnings increased fears of a 'hard landing' in the US. Growth moderated and industrial production turned down, as US demand softened.

Emerging Markets

Emerging markets saw some of the strongest returns of any region in early 2000, as low interest rates and strong growth continued. However, as the years progressed, sentiment became progressively poorer as slowing economic growth began to emerge globally and investors switched into areas perceived as less vulnerable. Emerging Asia in particular was badly hit by interest rate pressures and slowing growth. Mounting concerns over Argentina's ability to roll over its debt and uncertainty over Turkey's foreign exchange position further undermined sentiment. However as a result of recent interest rate cuts in the US, the markets held up slightly better overall.

UK Bonds

Government bonds (or "gilts") experienced a general rise in prices in response to loosening monetary policy as investors switched into the 'safe haven' of bonds away from the volatile equity markets. In addition, technical factors proved supportive of the market (as institutions were forced to buy long-dated gilts to match their liabilities) although later in the year anticipated legislative changes resulted in pension funds increasingly switching out of government bonds into highly rated non-government debt.

Overseas Bonds

Bond markets saw increasingly good returns over the year, as evidence increased that the US economy was starting to slow and anticipation grew that central banks would cut interest rates in response to slowing economic conditions.

4. Actuary's Report (Produced by Hymans Robertson.)

The enduring memory of the year will be the meltdown in technology stocks, but that should not cloud the broader and more significant falls in equity markets. The UK equity market fell by 10.8%, while the overseas equities delivered – 14.7%. Recent falls should be taken into perspective, returns in prior years had been very strong. Over five years, the return for the UK equity market (11.1% p.a.) remains well above inflation.

The fall in equity prices was triggered by declining economic growth, most obviously in the US. Profit warnings from a range of predominantly "new economy" companies, and the publication of increasingly cautious economic forecasts, added to investors' concerns. The US Central Bank responded by aggressively cutting interest rates over the first half of 2001.

The divergence in returns from the various UK equity sectors continued to be significantly higher than seen previously. "Old economy" stocks performed well (Food and Drug retailers up by 46%) but "new economy" stocks fell sharply (Information Technology stocks down by almost 60%).

Bond market returns were positive. Corporate bonds performed particularly well on the back of announcements on the future of the MFR. Yields on index linked government bonds rose strongly at the end of the period but still remain unattractively priced by international comparison.

Property also performed well, helped by its stable return profile, and is the best performing asset class over 3 years.

Sterling depreciated by 3.7% on a trade-weighted basis over the year (and by 10.9% against the US\$). The euro remains well below the level set at its creation on 1st January 1999 which may explain the European Central Banks reluctance to match interest rate reductions in the US and UK.

5. Status of the Scheme

- 5.1 The Local Government Pension Scheme is 'contracted out' of SERPS.
- 5.2 The Scheme is a 'final salary scheme'. This means that benefits do not depend on investment performance, but generally on the level of salary during the last 12 months before retirement and the length of total Local Government service during which contributions have been paid in to the Fund.
- 5.3 The Isle of Wight Council Pension Scheme is an Exempt Approved Scheme under Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988.

Income arising from deposits or investments held for the purpose of the scheme is exempt from tax. This exemption (from 2 July 1997) no longer entitles the pension fund to repayment of tax paid on UK dividends.

6. Accounting Policies

- 6.1 The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued in July 1987 by the Chartered Institute of Public Finance and Accountancy, and with the Statement of Recommended Practice No 1 issued by the Accounting Standards Committee. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme which takes account of such liabilities is dealt with in Note 7.
- 6.2 Income and expenditure have been accounted for on an accruals basis for contributions, investment income and transfer values.
- 6.3 Investments have been valued at the middle Stock Exchange quoted price on 31 March in each year. Investments held in foreign currencies are shown at market value translated into the equivalent sterling rate ruling at 31 March 2001.
- 6.4 Additional Voluntary Contributions (AVCs) separately invested for the benefit of individual members are not treated as part of the Scheme's assets and income, and are not included in the accounts. Members receive details of their investment directly from the Providers.

These Contributions can be made via the Isle of Wight Council to Prudential Life and Pensions or the Nationwide Building Society to purchase enhanced pension benefits and in the case of the Prudential, term life cover.

During 2000-01 AVCs of £122,521 were separately invested with Prudential Life and Pensions. Of this amount, £10,577 was for the purchase of death in service cover. AVC's invested with the Nationwide Building Society in 2000-01 amounted to £18,965.

- 6.5 Administration costs of £586,470 (1999-00 £544,891) have been charged directly to the Fund in 2000-01.

7. Actuarial Valuation

- 7.1 Regulations require an actuarial valuation to be undertaken every three years. The most recent actuarial valuation of the Fund was carried out by Hymans Robertson at 31 March 1998.
- 7.2 This valuation showed that the Common Rate of Contribution payable by each employing authority to the Fund with effect from 1 April 1999 should be 9% of pensionable pay.

As a result of the actuarial valuation the employers' contributions to the fund changed with effect from 1 April 1999.

	Required Contribution for the year ending		
	31 March		
	2000	2001	2002
Isle of Wight Council	8.5%	9.0%	9.5%
Isle of Wight Magistrates Court	9.5%	10.0%	10.5%
Isle of Wight College	9.5%	9.9%	10.4%
Yarmouth Harbour Commissioners	11.0%	11.0%	11.0%
Cowes Harbour Commissioners	11.0%	11.0%	11.0%
St Catherines School Ltd	11.0%	11.0%	11.0%
Trustees of Carisbrooke Castle Museum	11.0%	11.0%	11.0%
IW Society for the Blind	11.0%	11.0%	11.0%
Isle of Wight Rural Community Council	11.0%	11.0%	11.0%
South Wight Housing Association Ltd	11.2%	14.2%	17.2%
Medina Housing Association Ltd	11.8%	12.3%	12.8%
Island Group 90 Ltd	10.5%	10.5%	10.5%
Riverside Centre Ltd	9.0%	9.0%	9.0%
Osel Enterprises Ltd	9.0%	9.0%	9.0%

The following two bodies were admitted into the scheme during the year ended 31 March 2000

Planet Ice (IOW) Ltd	11.0%	11.0%	11.0%
Island 2000 Trust Ltd	11.0%	11.0%	11.0%

- 7.3 The contribution rate, as described, is calculated to be sufficient to cover 100% of the Fund's liabilities. It comprises a future service funding rate of 12.4% of pensionable pay, together with a reduction of 3.4% of pensionable pay to reflect the funding position of the Fund.
- 7.4 The market value of the Fund's assets at the valuation date was £148.1 millions (at a smoothed market value which adjusts the market value of the assets in each of the major asset classes by considering the average market levels during the twelve months to the valuation date using appropriate market indices). This represented 106% of the Fund's accrued liabilities, allowing for future pay increases.
- 7.5 The contribution rates have been calculated using the projected unit method and the main actuarial assumptions were as follows:-

Rate of investment return:	Equities	7.2% p.a.
	Bonds	6.7% p.a.
Rate of earnings increase (excluding an allowance for promotional increases):		4.9% p.a.
Rate of pension increases:		3.4% p.a.

8. Statement of Investment Principles of the Isle of Wight Council Pension Fund:- see appendix B
9. Notes to the Accounts
 - 9.1 Capital Commitments: - There were no capital commitments as at 31 March 2001.
 - 9.2 Contingencies: - There were no contingencies as at 31 March 2001.
 - 9.3 Net Assets Statement:- There were no events subsequent to the Net Assets Statement at 31 March 2001 which would have a material effect on the Net Assets Statement as at that date.
 - 9.4 No Members or Chief Officers have disclosed any Related Party Transactions with the Pension Fund.

APPENDIX A

ANALYSIS OF MARKET VALUE AT 31 MARCH 2001 BY INDUSTRIAL SECTOR

	U.K.	U.S.A	JAPAN	EUROPE	FAR EAST (Exc Japan)	EMERGING MARKETS	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Mining	1,470						1,470
Oil and Gas	11,327	432	43	969			12,771
Chemicals	1,130		22	868			2,020
Construction & Building Mtls	2,313		139	561			3,013
Metals & Other Materials	250	54	58	101			463
Aerospace & Defence	1,866	51		166			2,083
Electronic & Electrical Equip't	360	423	1,106	802			2,692
Engineering & Machinery	701	111	100	216			1,127
Automobiles	650		149	417			1,216
Beverages	1,005	179		152			1,336
Food Producers & Processors	540			512			1,052
Pharmaceuticals	10,329		366	754			11,449
Tobacco	623	54		195			872
Distributors	658			160			818
Retailers, General	1,964	397	34	47			2,441
Leisure, Entertainment & Hotels	1,967	70		69			2,106
Media & Photography	5,496	223		966			6,685
Breweries, Pubs & Restaurants		39					39
Support Services	1,479		40	455			1,974
Transport	1,358						1,358
Food & Drug Retailers	1,632			79			1,711
Telecommunications	10,118	368		1,093			11,579
Electricity	856	120	75	209			1,261
Gas Distribution	1,421			213			1,634
Water	419						419
Banks	14,303	555	41	2,738			17,637
Investment Companies	415						415
Life Assurance	3,253						3,253
Real Estate	2,301						2,301
Speciality & Other Finance	400						400
I T Hardware	1,282			1,043			2,325
IT Software & Computer Servs.	1,208	569		38			1,815
Unit Trusts	6,549	252	307	1,766	5,747	3,794	18,415
Healthcare		576					576
Household Goods		88		798			886
Insurance		185	210	1,614			2,009
Miscellaneous Financial		195	170				365
Textiles			117				117
Paper & Pulp			111	162			272
Rubber Goods			86				86
Precision Machinery			127				127
Miscellaneous Manufacturing			74				74
Land Transport			179				179
Communications			323				323
Wholesale			215				215
Securities			126				126
Diversified Industries				149			149
Treasury Index Linked	3,606						3,606
US Treasury Index Linked		1,118					1,118
Property Unit Trusts	7,898						7,898
British Government Securities	7,689						7,689
Eurobond Debenture	4,595						4,595
Fixed Interest - Other	14,638						14,638
Totals	128,070	6,060	4,217	17,311	5,747	3,794	165,199

N.B. Totals may need minor adjustment for rounding.

APPENDIX B

ISLE OF WIGHT COUNCIL PENSION FUND

STATEMENT OF INVESTMENT PRINCIPLES

1. Introduction

1.1 This Statement of Investment Principles has been adopted by Isle of Wight Council (“the Council”) in relation to the investment of assets of the Council’s Pension Fund. It was agreed by the Investment Panel at their meeting on 26th May 2000.

1.2 Investments are monitored on a regular basis by the Pension Fund Investment Panel (the Panel) of the Council acting on the delegated authority of the Isle of Wight Council. Advice is received as required from professional advisers. In addition, the Panel formally review the performance of investments quarterly and the overall strategy on an annual basis.

1.3 In preparing this statement the Panel has taken professional advice from the investment practice of Hymans Robertson Actuaries and Consultants. Due account has been taken of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners and active members), together with the level of disclosed surplus or deficit.

1.4 The Panel has agreed an asset allocation benchmark, a performance target and various controls on the Fund’s investments following an asset liability study. They reflect the Panel’s views on the appropriate balance between maximising the long-term return on investments and minimising short term volatility and risk. The benchmark reflects the position following the Actuarial Valuation of the Fund as at 31 March 1998. It is intended that strategy will be reviewed at least every three years following actuarial valuations of the Fund.

2. Objectives

2.1 The primary objective of the Fund is as follows:

To provide for members pension and lump sum benefits on their retirement or for their dependants benefits on death before or after retirement, on a defined benefits basis.

In order that this primary objective can be achieved, the following funding and investment objectives have been agreed.

2.2 Funding Objectives - Ongoing Basis

To fund the Fund such as to target, in normal market conditions, that accrued benefits are fully covered by the actuarial value of the assets of the Fund and that an appropriate level of contributions is agreed by the administering authority to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

The assumptions used for this test, corresponding with the assumptions used in the latest Actuarial Valuation, are shown in Annexe A and the liability mix is shown in Annexe B. This position will be reviewed at least at each triennial Actuarial Valuation.

3. Investment Objectives

3.1 Funding Objectives

To achieve a return on Fund assets which is sufficient, over the long-term, to meet the funding objectives set out above on an ongoing basis. To achieve these objectives the following parameters have been agreed.

3.2 Choosing Investments

The Panel will ensure that one or more investment managers are appointed who are authorised according to appropriate Local Government Regulations to manage the assets of the Fund.

Details of the manager appointed to manage the Fund’s assets are summarised in Annexe C. The investment manager will be given full discretion over the choice of individual stocks and are expected to maintain a diversified portfolio.

- 3.3 **Types of Investments to be held**
The investment manager may invest in UK and overseas investments including equities, fixed and index linked bonds, cash and property, using pooled funds where agreed. At any time, the proportions held in each asset class will reflect the manager's views relative to its benchmark and subject to certain control limits imposed by the Panel.
- 3.4 **Balance between different kinds of investments**
The performance benchmark adopted by the Panel has been based on consideration of the liability profile of the Fund; it is summarised in Annexe C. Within each major market the investment managers will hold a diversified portfolio of stocks or will invest in pooled funds to achieve this diversification. The policy implied by this benchmark will result in a significant weight being given to "real" as opposed to "monetary" assets which the Panel acknowledge as appropriate given the current liability profile and funding position of their Fund.
- 3.5 **Risk**
Currently the Panel has appointed Schroder Investment Management (UK) Limited as the sole investment manager. The adoption of an asset allocation benchmark (as described above) and the explicit monitoring of performance relative to a performance target, constrains the investment managers from deviating significantly from the intended approach, while permitting flexibility to manage the Fund in such a way as to enhance returns.
- 3.6 **Expected return on investments**
The majority of the Fund's assets are managed on an active basis and are expected to outperform their respective benchmarks over the long term. The investment performance achieved by the Fund over the long term is expected to exceed the rate of return assumed by the Actuary in funding the Fund on an ongoing basis.
- 3.7 **Realisation of investments**
The majority of assets held by the Fund are quoted on major stock markets and may be realised quickly if required. Property investments, which are relatively illiquid, currently make up a modest proportion of the Fund's assets.
- 3.8 **Social, Environment & Ethical Considerations**
The Panel recognises that social, environmental and ethical considerations are among the factors which can affect the financial return on investments.
- Having discussed the matter, the Panel has decided that any policy on Socially Responsible Investments should not conflict with the Fund's investment objective as set out in Section 2.1 above.
- The Panel have requested that the manager continue to give due consideration to these factors, particularly in the areas of business sustainability and reputational risk, when deciding on the selection, retention and realisation of individual investments.
- 3.9 **Exercise of Voting Rights**
The Panel has delegated the exercise of voting rights to the investment manager on the basis that voting power will be exercised by the investment manager with the objective of preserving and enhancing long term shareholder value. Accordingly, the manager has produced written guidelines of its process and practice in this regard. The manager is encouraged to vote at extraordinary general meetings of companies. Voting actions are reported to the Panel on a regular basis and these actions are reviewed and discussed as appropriate.
- 3.10 **Additional Voluntary Contributions (AVC's)**
Members have the opportunity to invest in AVC funds as detailed in Annexe D.

ANNEXES

A. Main Actuarial Assumptions as at 31 March 1998

	Nominal % per annum	Real Return % per annum
RPI Inflation	3.4	-
Increases in pay (excl. Increments)	4.9	1.5
Investment returns * - equities	7.2	3.8
- bonds	6.7	3.3

* net of investment expenses

B. Liability Mix at 31 March 1998

	Liability £M	% of Total Liabilities	% of Fund
Employee members	50.3	36	34
Deferred pensioners	14.5	10	10
Pensioners	74.6	54	50
Total Liabilities	139.4	100	94
Surplus	8.7	6	6
Total fund (at actuarial value)	148.1	106	100

C. Investment Management Arrangements

Schroder Investment Management (UK) Limited were appointed to manage the Scheme assets with effect from November 1991. Their investment objective is to achieve upper quartile performance in the WM Local Authority Universe (including Property) over rolling 3 year periods, and to achieve returns of 3% per annum in excess of salary inflation and 4% per annum in excess of price inflation over rolling 10 year periods.

As at 31 December 1999 the Scheme assets and average local authority fund asset proportions were as follows:

	Scheme Assets %	Average Fund %
UK Equities	53	53
Overseas Equities	21	22
Total Equity	74	75
Index-linked Gilts	3	4
Property	4	3
Real assets	81	82
UK Bonds	6	7
Overseas Bonds	7	6
Cash	6	5
Monetary assets	19	18

*Unweighted

D. AVC Arrangements

The Investment Panel have set up a number of options for members' additional voluntary contributions (AVCs). The options are set out below. At retirement, the accumulated value of a member's AVCs is used to purchase an annuity on the open market, or the member may elect to buy additional service in the scheme.

Provider	Investment Vehicle
Nationwide Building Society	Cash
Prudential	Discretionary Fund
Prudential	With Profits

The cash option offers interest on deposits.

The Discretionary Fund is a vehicle which allows members to invest in a range of assets including equities, bonds and property.

The with profits vehicle is designed to provide smoothed medium to long term growth by investing in a range of assets including equities, bonds and property. The investment returns are distributed by way of reversionary and terminal bonuses.

The Panel has chosen the particular providers and investment vehicles taking into account past investment performance, charging structure, flexibility and the quality of administration.

The Panel review the AVC investment options on a regular basis.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director of Finance & Information & County Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

The Strategic Director of Finance & Information & County Treasurer's responsibilities

The Strategic Director of Finance & Information & County Treasurer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAA Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this statement of accounts, the Strategic Director of Finance & Information & County Treasurer has:

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

The Strategic Director of Finance & Information & County Treasurer has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts for the year ended 31 March 2001 required by the Accounts and Audit Regulations 1996 is set out on pages 5 to 43.

I further certify that the Statement of Accounts presents fairly the financial position of the Authority at 31 March 2001 and its income and expenditure for the year then ended.

Date.....

Signature.....

JOHN PULSFORD
Strategic Director
Finance & Information & County Treasurer

AUDIT OF ACCOUNTS 2000-01

AUDITOR'S REPORT TO ISLE OF WIGHT COUNCIL

We have audited the statement of accounts on pages 5 to 43, which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Authority's accounts, on pages 5 to 27, which have been prepared in accordance with the accounting policies set out on pages 3 and 4, and the Pension Fund accounts, on pages 28 to 43, which have been prepared in accordance with the accounting policies set out on pages 3 and 4.

Respective Responsibilities of Strategic Director of Finance & Information & County Treasurer and Auditors

As described on page 44, the Strategic Director of Finance & Information & County Treasurer is responsible for the preparation of the statement of accounts. My responsibilities as the independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council.

Basis of Opinion

I carried out my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

My audit included examination, on a test basis, of evidence relevant to the amounts and disclosure in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion on the Authority's accounts

In my opinion the statement of accounts presents fairly the financial position of Isle of Wight Council at 31 March 2001 and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In my opinion the statement of accounts presents fairly the financial transactions of Isle of Wight Council Pension Fund during the year ended 31 March 2001, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

I have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until matters raised by a local government elector for the area have been resolved. I am satisfied that the amount which is subject of the elector's representation will not have a material effect on the Statement of Accounts.

S Goodyear
Audit Manager
18 December 2001